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5 SEPTEMBER 1990



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# ***JPRS Report***

## **East Europe**

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# East Europe

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## INTRABLOC AFFAIRS

### Hungarian Foreign Minister Accused of Fostering 'Revisionism'

#### Text of Romanian Statement

25000779A Budapest NEPSZABADSAG in Hungarian  
14 Aug 90 p 3

[Unattributed article: "Bucharest Charges Revisionism"]

[Text] At the request of the Bucharest radio, Romanian Foreign Ministry Spokesman Ambassador Traian Chebeleu issued a statement relating to an interview granted to Radio Free Europe [RFE] by Geza Jeszenszky, foreign minister of the Hungarian Republic. The interview was broadcast on 8 August. Chebeleu's statement is as follows:

"This interview caused justifiable outrage and serious concern. The outrage was caused by the cavalier style of the statement, while neither moral nor material conditions exist for such a style in the present Hungarian reality, and mainly because the statements insult Romania, the Romanian people, and the Romanian Government.

"The interview caused concern because it is part and parcel of a series of positions publicized in recent times by President Goncz, Prime Minister Antall, and now, along with them, by Foreign Minister Jeszenszky concerning political goals and orientation, in particular with respect to Romania. These positions are in blatant conflict with principles concerning interstate relations sanctioned by the Helsinki closing document, and undermine the foundations of European cooperation and security. Beyond this, these rather frequent statements made before large and varied audiences are ostensibly meant to stimulate and maintain an anti-Romanian psychosis both among ethnic Hungarians in Romania and in Hungarian public opinion, and in particular at the all-European level.

"Proof of arrogance is first of all the fact that Mr. Jeszenszky establishes conditions based on which Hungary would agree to pursue [a] good neighbor [policy], or as he said, friendly relations with Romania. What are these conditions?

"First: The Romanian Government must recognize that Romania is a state composed of several nationalities, i.e., it must recognize something that would not correspond with reality, but would serve the revisionist goals of present Hungarian foreign policy against Romania, and which are obviously unacceptable in the context of present European reform [processes]. If we were to regard states within the territories of which nationalities reside as states composed of several nationalities, the way Mr. Jeszenszky suggests, each and every country in Europe, including Hungary, would have to be declared a state composed of several nationalities.

"But in this regard something else is at issue. According to the old Stalinist concept, Romania is a state composed of several nationalities; during the period between the two world wars (thus!) the Romanian Communist Party was forced for a brief period of time to realize Stalinist policies based on the principle of divide and rule, which could be enforced for only a very brief period even between the two world wars (thus!) because of its absurdity, even during the era of the most determined Stalinists of Romania. It appears that insofar as the nationality issue is concerned, today's Hungarian foreign policy is unable to rid itself of the concepts and initiatives of the adversely remembered Stalinist era.

"Second, Mr. Jeszenszky makes general reference to the fact that certain conditions must be fulfilled before Hungary reaches out a helping hand to Romania; it is a matter of fact that no one has requested that. Mr. Jeszenszky intentionally does not take note of significant measures adopted by Romania following the 1989 revolution in regard to the development of Hungarian language education. They do not take note of all these matters, while they are attempting to force Romania to implement unacceptable and irrational measures—such as the establishment of an exclusively Hungarian language university—whereas such measures would not be agreed to by a single European country. They tried to force this upon Romania during the Stalinist era already, but the attempt ended up as a fiasco because even in those days this was not based on a real need, nor did it have moral foundations.

"I feel that the information Mr. Jeszenszky has is incomplete insofar as European standards concerning educational measures related to minorities are concerned, as such standards are sanctioned in CSCE documents. Anyone who reads these documents will find that the measures adopted by Romania in regard to Romanian citizens belonging to the nationalities exceed the standards generally accepted by the CSCE. I would like to point out that in the course of debate which transpired in Copenhagen relative to the above mentioned issue, representatives of traditionally democratic countries like the United States, France, and the Federal Republic of Germany clearly indicated that no state may be required to establish and support a school teaching in a language which differs from the official language of a given state. This is the generally accepted CSCE standard, and not the one Mr. Jeszenszky is trying to force upon Romania," the Romanian statement said.

#### Editorial Disputes Chebeleu's 'Truth'

25000779A Budapest NEPSZABADSAG in Hungarian  
14 Aug 90 p 3

[Editorial by Peter Vajda: "Chebeleu Is Mistaken"]

[Text] Perhaps it will be unnecessary to prove to regular readers of this newspaper that we do not ex officio defend Mr. Jeszenszky's statements. In this instance, when we speak up in regard to the response made by the

Romanian foreign ministry spokesman, we do so, once again, not in defense of Mr. Jeszenszky's statements. Persons are not at issue! The Bucharest spokesman is chastising Hungarian policies which the Antall government inherited from the Nemeth cabinet: policies according to which they are not willing to keep silent about wrongs suffered by Hungarians, and which do not separate the relationship between Budapest and Bucharest from the fulfillment of the just needs of 2 million people who speak Hungarian.

In reality the statement does not judge Jeszenszky, it qualifies those who wrote the statement, and who deal generously with qualifying adjectives. Its key sentences are as follows: "The Romanian Government must recognize that Romania is a state composed of several nationalities, i.e., it must recognize something that would not correspond with reality, but would serve the revisionist goals of present Hungarian foreign policy against Romania, and which are obviously unacceptable in the context of the present European reform [processes]. If we were to regard states within the territories of which nationalities reside as states composed of several nationalities, the way Mr. Jeszenszky suggests, each and every country in Europe, including Hungary, would have to be declared a state composed of several nationalities." That is to say Romania is not a state composed of several nationalities; the Hungarians of Transylvania must continue to be regarded as Romanians speaking Hungarian; Ceausescu said it already, that's what they are.

Incidentally, Ceausescu is also glorified in this document. To wit: "... They are attempting to force Romania to implement unacceptable and irrational measures, such as the establishment of an exclusively Hungarian language university, whereas such measures would not be accepted in a single European country. They tried to force this upon Romania during the Stalinist era already, but the attempt ended as a fiasco because even in those days this was not based on a real need, nor did it have moral foundations." Is it only the loss of memory concerning why the Bucharest spokesman does not mention the fact that the "experiment" was damned to become a fiasco by the Conducator?

Traian Chebeleu's statement contains a series of errors and absurdities which is hard to enumerate. For example, one simply cannot deal with the statement according to which representatives of the United States, France, and the FRG clearly stated in Copenhagen that one should not even request a school teaching in a language which is different from the official language. One may not even make a request? Does France want to place Canada on the sluggards' bench for schools teaching in the French language in Quebec? This is somewhat hard to believe. Nothing resembling this was said in Copenhagen, of course. On the other hand, representatives of the states indicated and of other democratic countries told Bucharest: Romanians are excluding themselves from the entire blood circulation of the Continent by not observing European standards.

It is rather sad, moreover ominous that step by step, those who implement the December turnaround make concessions to the men of the Vatra Romaneasca and to other extremists, and thereby narrow their own political sphere of movement. This is so, even though 20th Century Romanian history also proved many times that extremists, ranging from the Iron Guard to the Vatra, are never satisfied with concessions, and that by tomorrow they will demand more.

### Foreign Ministry Spokesman Responds

25000779A Budapest NEPSZABADSAG in Hungarian  
15 Aug 90 p 3

[Hungarian Telegraph Agency report]

[Excerpt] [passage omitted] An MTI [Hungarian Telegraph Agency] reporter asked Foreign Ministry spokesman Janos Herman about the most recent Romanian manifestation which heats up passions.

As a matter of introduction the spokesman deemed it important to stress that Jeszenszky did not in general speak of the Romanian-Hungarian relationship, but provided specific answers to specific questions. He did so without any intent to offend; and no insulting statement was made toward Romania.

"Despite the Romanian protest the foreign minister believes that Romania is a country composed of several nationalities," the spokesman stressed. Insofar as the second part of ambassador Chebeleu's statement is concerned, the Hungarian foreign minister will readily acknowledge the fact that from a practical standpoint, all European states, among them Hungary, are also countries composed of several nationalities. Hungary pursues policies that are consistent with this fact. The Romanian spokesman also referred to Hungary's demanding virtually "special" ["extra"] rights for the Hungarian minority, when, for example, it urges the establishment of a Hungarian language university. Everyone knows that certain standards exist regarding the handling of minority issues, and that these standards were affirmed most recently in Copenhagen by participants at the conference which dealt with the human dimensions of European cooperation. Quite naturally, Hungary does not wish to dictate to Romania in regard to anything, but it makes clear what Hungary feels is desirable in the interest of good relations. Incidentally, in the course of the interview at issue, the Hungarian foreign minister clearly stated that Hungary does not want to isolate Romania; on the contrary, Hungary is interested in seeing its Southeastern neighbor as an open, flourishing country. The events of the past months proved that the activities of extremist forces in Romania, which want to torpedo democratic renewal and the acquiescence of the Romanian people, have increased. The Romanian Government may dispel the internal and external doubts arising regarding its policies by clearly renouncing such forces.

In conclusion Herman underscored the fact that Hungary is endeavoring to establish proper relations with Romania, those of an honest partner, a good neighbor, because it is convinced that this is in the fundamental interests of the people of both countries. It should be recalled that toward the end of June the two Foreign Ministries consulted with each other, and that several proposals were included in the agenda of the conference. Unfortunately, the position taken by the Romanian side was to reject certain proposals pertaining to fundamental issues. Despite this fact we trust that we will be able to come closer to resolving problems as a result of staid negotiations.

## BULGARIA

### **Bulgarian Workers in USSR Support Opposition**

90BA0252A Sofia DEMOKRATSIYA in Bulgarian  
12 Jul 90 p 4

[Article by Lev Kokushkin, Siktivkar-Sofia: "Is Everything Quiet in Komi?"]

[Text] For the past 22 years, Bulgarians have been working in this autonomous republic [Komi Autonomous Soviet Socialist Republic], which is four times the size of Bulgaria but whose population is almost that of Sofia. Two-thirds of Komi consists of taiga, where 18,000 Bulgarians now live.

The negative attitude that has developed of late toward the Bulgarians on the part of the local population in Udogorskiy Rayon (where four Bulgarian settlements are located) is explainable. "First, because the local population lives and works under significantly worse conditions, earns less, and has incomparably worse supplies," we were told by Yuriy Ulyashov, deputy prime minister of Komi. "Second, the people object to the fact that the foreigners are cutting up the tayga, thus exhausting the raw material base. However, this is not a Bulgarian-Soviet but an internal problem."

Last year Bulgarians logged in Komi some 4 million cubic meters of timber, 1 million of which was shipped to Bulgaria. According to the local specialists, the Bulgarian enterprises do exceptionally steady and efficient work, with high plan overfulfillment. Such overfulfillment has always been coordinated with the Soviet side. The problem that, in practical terms the Republic's authorities had nothing to say on this matter because everything was being decided by Moscow, is a different matter. Today Komi is greatly relying on Boris Yeltsin, the president of the RSFSR [Russian Soviet Federated Socialist Republic], who most likely will grant substantially greater rights to the local authorities.

During the discussions held with the Soviet leadership in Siktivkar, my feeling was that it would be a virtual tragedy should the Bulgarians decide to leave Komi. "Last year the crime rate here increased by some 30

percent. However, we are unfamiliar with even a single criminal case involving a Bulgarian," Yuriy Ulyashov said.

Igor Zatulovski, representative of the USSR Ministry of Foreign Affairs in Komi, was even more categorical: "I can most responsibly state that, in the past 22 years, not a single official complaint has been lodged against Bulgarians working here." This is indeed strange, bearing in mind that there are only two officers of the Bulgarian militia in Komi.

Nonetheless, I have no reason not to believe such people. Actually, why not also believe Georgi Yanchev, the Bulgarian consul in Siktivkar, who told us that the percentage of labor accidents among Bulgarian workers here is excessively high; that there is no social justice in the allocation of cars, refrigerators, television sets, and other goods in short supply; and that the rationing system is operating here in full swing?

"We get the news with great delays," Mr. Yanchev emphasized. "We do not receive any opposition newspapers. Telephone conversations with Bulgaria must be requested three days in advance."

I was told by Todor Marinov, councilor in charge of economic problems at the Bulgarian consulate, that strikes here were organized by workers with long seniority, who receive substantial wage supplements. I also learned that a number of Bulgarians who have lived in Komi for more than 10 years have suffered from heart attacks. Currently, we find in our settlements quite a number of people who have been working here uninter-ruptedly for 15 to 18 years.

"We can understand the risk they take. Drivers and loggers earn 1,000-1,800 rubles monthly," Mr. Marinov said. "They work under very difficult circumstances. Some of them have to commute 80-100 km to the logging camps. That is why it is mainly those who work in the most difficult areas who voted for the SDS [Union of Democratic Forces]."

Let me remind you that most Bulgarians in Komi voted for the opposition.

## CZECHOSLOVAKIA

### **Lorenc on State Security's Role in November Events**

#### **Party Loses Authority**

90CH0339A Prague MLADA FRONTA in Czech  
16 Jul 90 pp 1-2

[First part of two-part interview with Lt. Gen. Alojz Lorenc, former first deputy of the federal minister of interior, by Tomas Marek and Rostislav Rod; place and date not given: "Jakes Was a Forced Compromise"—first paragraph is MLADA FRONTA introduction]

[Text] Lt. Gen. Eng. Alojz Lorenz was for several years before November last year the first deputy of the Federal

Ministry of Interior. At present he is under indictment in connection with the burning of documents in December 1989. Several days ago MLADA FRONTA published an interview which was conducted by correspondence. It so happened that the general spent the last 100 days in detention. Immediately after he was released we contacted him by telephone and in the Saturday edition of our daily we published a short interview which was mainly about clearances. Now we met him in person and asked for some details about the work of the State Security, counterintelligence in particular.

[MLADA FRONTA] Did State Security also receive information from the center of the Communist Party; did it have agents among the Communists?

[Lorenc] No, basically not. State Security used to get information from the Communist Party center only indirectly. To do so with the help of agents would have been extremely risky, given the rigid centralism. I do not want to talk about specific people, but both spheres were also interlinked by family relationships. Nothing could be kept secret. Moreover, State Security was not some kind of cancer which spreads through everything totally; it had assigned to it, after all, only certain delimited spheres of interest. It was interested in a certain type of information and the Communists did not have it. We came up against the boundaries of the broader Communist top echelon only in some criminal cases concerning property.

[MLADA FRONTA] Nevertheless, it can be said that the situation among the Communists was known to the State Security. Since when did the membership base as well as the top echelon began to feel nervous?

[Lorenc] That depended on the amount of information which the individual levels of the hierarchy had. It became gradually obvious to everyone that we have been marching in a direction entirely different from where the world was headed. The first really serious conflicts arose at the moment when it became quite obvious that the 12th CPCZ [Czechoslovak Communist Party] Congress will not be a turning point toward a restructuring of the Gorbachev type. The party tried to enact reforms, but the more it became involved, the more it became clear that it was not able to implement them. The key point was the inability to reevaluate the year 1968. The dread of such a move was almost pathological.

[MLADA FRONTA] You certainly had very thorough information about the mood in society prior to November 1989. What movements, from the point of view of counterespionage, were taking place in it?

[Lorenc] The Presidium and the Central Committee of the CPCZ were very quickly losing the confidence of its members and of other citizens as well. Until then, I am thinking about the turning point between 1987 and 1988, the opposition was basically confined to the rest of society. Of course, precisely during the same period the

intellectual circles, most of all the younger generation, were coming practically en masse to the conclusion that things, which it was vitally important to do, could be done within the ideological boundaries of the then leadership. And more and more people also began to change from passive resistance to opposition.

[MLADA FRONTA] How did the top leadership react to the new conditions in society?

[Lorenc] Differences began to appear in the Communist Party itself, and particularly in the top echelon everybody was watching everybody else to see if they wanted "to bolt". That led to the unfortunate step of electing Milos Jakes as the general secretary.

[MLADA FRONTA] Why him in particular? Did he perhaps have a unifying influence?

[Lorenc] He was a compromise. The British say "two birds with one stone", we have a similar proverb concerning flies. It was guaranteed that he would not recant the year 1968, and at the same time a certain change took place. Of course, as any compromise made under duress rather than as a result of discussion, this one, too, was the best road to a fall.

[MLADA FRONTA] In the last interview with MLADA FRONTA you said that it was clear to you for a long time which way developments will go. Can you give some specifics?

[Lorenc] I would say that anyone who had enough information must have expected the coming qualitative changes in society. Up to the end of 1988 a possibility still existed that the Communist Party could become its hegemon. It needed, of course, a Czechoslovak Gorbachev. He could have been anyone who understood that socialism is not just what we know here, who would fundamentally reevaluate 1968, who would base the new policy on a pluralistic cooperation of more political entities, and most of all, who would have the courage to say all that. A number of people understood the first points but nobody got to the last one. Whoever just hinted at such a possibility was removed from public life.

### Security, Party Cannot Decide

90CH0339B Prague MLADA FRONTA in Czech  
17 Jul 90 pp 1-2

[Second part of two-part interview with Lt. Gen. Alojz Lorenc by Tomas Marek and Rostislav Rod; place and date not given: "Some Wanted Truncheons, Some Even Tanks"—first paragraph is MLADA FRONTA introduction]

[Text] On Monday we published in MLADA FRONTA the first part of an interview with Lt. Gen. Eng. Alojz Lorenc, former first deputy of the federal minister of interior. It contained some observations of the general from the years 1988 and 1989, when there was growing tension within the society and alleged differences in

sections of the Federal Ministry of Interior as well as State Security, a movement away from the policies of the Communist Party.

[MLADA FRONTA] General, you said that whoever tried to analyze and express an opinion about the state of crisis in Czechoslovakia was removed from public life. Can you give concrete examples?

[Lorenc] I am deeply convinced that the federal minister of interior, Vratislav Vajnar, was recalled precisely for this reason. He was a man who spoke three world languages, worked for a long time as a diplomat in the United Nations, was the chief of the section for international law in the office of Gustav Husak, etc. This was a politician of an entirely different caliber than those who comprised our scene. From many indications I conclude that Gustav Husak was grooming him as his successor. In any case, he wanted him in the Politburo, and at that moment Mr. Vajnar became a real danger to the others. Lubomir Strougal also very quickly understood that policy must be made quite differently here, and this may seem strange to you, I think that even Antonin Kapet thought along similar lines. I learned from people close to Milos Jakes that I, too, was to be recalled. I suspect I know one of the reasons. Sometime in the middle of last year I gave the order to familiarize all participants in the statewide meeting of the chiefs of State Security with the results of the survey of public opinion, which concerned the popularity among the population of the policies of the Communist Party. It was not encouraging reading.

[MLADA FRONTA] You talked about politicians who have already left or who were already past the peak of their careers. Who represented the reformist wing during the period immediately before the revolution?

[Lorenc] I would prefer to leave that for later.

[MLADA FRONTA] Let us ask this another way, then. Inside the top echelon of the Communist Party there were, according to you, differences. Were there two groups with ambitions, or were there more?

[Lorenc] The situation cannot be understood simply as that two definite groups, clans, were formed. Rather, I see two streams. Just to illustrate: on 19 November 1989 in the evening there was a meeting of the Presidium of the party. I was invited to give a report on security. I spoke there with one of the reform-minded politicians. He told me: You know, people will not be satisfied until we leave. I could tell him only one thing: You are right. I want to suggest by this that many already understood the situation with all its implications, but nevertheless the Presidium as well as other agencies were taking halfway measures. Let us recall the two meetings of the Central Committee, the first post-November version of the Federal Government. I am a soldier, and so I know that when we need to retreat and we do not retreat the necessary number of steps, we shall be chased much further back.

[MLADA FRONTA] During the past year and the year before that, several Communist politicians met with Vaclav Havel, among others even Miroslav Stepan, and also Evzen Erban. Others made contacts with some independent groups. Were these meetings meant as a bridge to cooperation?

[Lorenc] Contacts with the opposition lacked a seriously meant concept. On one hand it was obvious that there was a need to take action, on the other hand, the willingness and courage to have a dialogue was lacking. It was a schizophrenia of power. And, moreover, at the time when some politician or a group of people made contact with the opposition, others were afraid of being removed. Therefore I do not think that those contacts represented a serious effort for cooperation.

[MLADA FRONTA] In the period following 17 November the People's Militias were called to Prague. Many people interpret this action as an attempt at a putsch. Do you have some information that would shed more light on this matter?

[Lorenc] The Federal Ministry of Interior immediately distanced itself from this action. I myself learned about it only when the Militias were already on their way.

[MLADA FRONTA] But of course the ministry had to be prepared that the People's Militias will intervene in the political developments.

[Lorenc] Nobody discussed such a possibility with me. We would have rejected it, in any case. The ministry and other units were fully able to handle the situation and in the event of a wave of violence or the possibility of danger to lives they would have taken action. Not otherwise. Our position was that a political process was under way and that it had proceed without us.

[MLADA FRONTA] Would the Security units have taken action against the Militias in case they started to occupy the theaters and the colleges?

[Lorenc] That is a hypothetical question and that cannot be answered with certainty. I was the Chief of Staff at the Ministry of Interior and the engagement of the People's Militias would have had to be discussed with me. I repeat again that I would not have approved it.

[MLADA FRONTA] The arrival of the People's Militias in Prague can be interpreted as an attempt to suppress the November events by force. Was there pressure from the top echelon of the Communist Party on State Security to nip the revolution in the bud by a wave of arrests?

[Lorenc] That is quite a complicated question and I would not want to discuss it in detail at this time. I certainly do not know all the circumstances and so what I would say would be subjective. But I would like to point out one thing: Different people make decisions of a different level. Some were willing to preserve the leading role of the Communist Party only in case that everything went smoothly. Others would reach for truncheons and would not go any further, others again would



even be capable of calling out the tanks. But these things must be clarified by a larger group which will have at their disposal all accessible information.

### **Doubts About Reforms Initiated by Prague Spring**

90CH0283A Prague *LIDOVE NOVINY* in Czech  
30 Jun 90 p 1

[Article by Martin Lajtker: "On Rehabilitation and Satisfaction"]

[Text] The failure of the reform attempts in 1968 was a consequence of a chain of specific errors by specific people; there is no point in making excuses about the intervention of foreign powers, however much it is crude and to be condemned. It was not a matter of a natural disaster; this was the reality of Europe and the world at that time and the decisive error consisted of obviously underrating that reality.

A real professional in the role of a politician either plays well and wins or does not and then loses. The constant merry-go-round of "habilitation" and rehabilitation I consider to be a manifestation of raw amateurism which we involuntarily tolerate in our politicians. Moreover, rehabilitation is possible only for someone who has "habilitated" himself. The politician in the role of politician and perhaps also a clown, of course, in the role of a clown.

The actual makeup of the top leadership at that time was a result of the usual procedure of the communists, which was to fight among themselves as to the composition of their own power elite. If the members of the party leadership at that time had won—of course they would have had to be better players—then possibly even the little people would have profited from it.

But actually? Just what did these reformers want? They say it themselves: We wanted to reform socialism. Nothing less, but also nothing more; they did not want anything different than what a number of other reform movements wanted, movements with which the history of a modern socialism abounds. If at that time Brezhnev was given distorted information and if at the last minute his nerve had not held up, this reform movement would also have ended up just like the others that came before it and after it, it would have dissolved in its own juices. Indeed, the most surprising development of the situation was obviously our Communist leadership. How many times it assured the Moscow center that it was not a matter of a counterrevolution or even of a threat to socialism! Not only by the innumerable proclamations at that time, but even according to today's evaluation of the situation at that time as well it appears that the reform nucleus of the CPCZ was not involved in any such thing. Even though it is currently clear that some forces in the developments at that time would have had to lean toward "capitalism," mainly the economists. Some advocates, even if they would not have just tossed "socialism" out the window, came very close to it.

So it is thus possible that it actually was a matter of getting rid of the basis for socialism and in that case the possibility of direct action by Moscow would not seem totally illogical. In addition, in that case it would have been a good idea to at least additionally declare it publicly and thus on the one hand inform the country as to what it was actually suffering from and on the other to put it on the world's conscience. Should perhaps, for example, the Americans have undertaken more decisive steps for the defense of a small country in the middle of Europe only because it continuously maintained that it is "more socialist" than that which attacked it? Or—and everything points to this—it really was not a matter of "disassembling socialism." In that case, however, I do not understand where Mr. Dubcek and a whole bunch of other details of the reforms at that time fit in with today's "revolution."

By what right do these people call for rehabilitation? They point to today's developments in the USSR as confirmation of the correctness of their positions in 1968. Yes, there is an evident parallel. In the model of today's developments in the USSR it is therefore possible to follow how it probably would have worked out with our "socialism with a human face." It begins to be obvious—and it is clearer to us in the "East" than to those in the "West"—that the attempt to reform society on the basis of modern socialism has no hope of success.

I am not indiscriminately against the rehabilitation of people. Let us wish it for all those who deserve it, to the same degree. Both those who were lucky and are still alive and can thus perhaps even make a vocal demand for it and for those in memoriam or those broken ones who press their hands to their heads and with a painful grimace on their faces remember the wrongs that they suffered. All of them equally deserve that once and for all it would be said out loud: we have already learned our lesson. But that it not yet the way things are.

### **Plevza Defends Slovak Uprising of 1944**

90CH0336A Bratislava *NOVE SLOVO* in Slovak  
19 Jul 90 p 6

[Article by Viliam Plevza: "Will There Be a Dialogue About the Resistance and the Slovak National Uprising?"]

[Excerpt] [passage omitted] There were times, but they should belong to the past, when we were unable to be either scientifically objective or tolerant in judging views that differed from official ones. However, objectivity and tolerance preclude endorsing such points of view that would cast doubt on one or another part of the Resistance and the Slovak National Uprising as a great, historic act of the Slovak people.

Dr. Jozef Jablonicky, same as the overwhelming majority of our democratically thinking citizens, is rightly troubled by the tendency in certain circles to clear the Slovak state of the allegedly "Communist attribute"

clerofascist, and its main representatives of the unflattering designation as "war criminals"; to rehabilitate Jozef Tiso; to "prove" that the most terrible mistake of the closing phase of the Second World War on our territory was the "incredible conspiracy", i.e., the Slovak National Uprising. We even read in the pages of SLOVENSKY DENNIK: "...The Slovaks, too, must clear its past of the damaging layer of lies and half-truths, among which also belong the fables about the heroic uprising, about the liberation, and the revolutionary traditions of our people." That is what Mr. Frantisek Vnuk advises us in his article "Katyn Woods in Slovakia," which was recently (19, 21, and 22 May) published in the SLOVENSKY DENNIK.

It is an insult to the Slovak nation, which by its actions in the Slovak National Uprising unequivocally demonstrated its place in the family of free European nations, its willingness to build its own destiny in a democratic Czechoslovakia. It is an unprecedented insult. We cannot remain indifferent to the fact that it is unhesitatingly coupled with the most vulgar denunciations of the resistance fighters, especially the partisans. In the quoted article, Frantisek Vnuk unblushingly asserts among other things that the massacres of civilian Slovak population and German soldiers and civilians started even before the Germans began to pay back in kind: "The barbarian behavior was brought to the Slovak territory by the partisans".

The above-mentioned facts elicit these questions: What is the purpose of spreading this and similar blatant rubbish? Rehabilitation of fascist crimes? To disparage the Resistance and those who took part in it? To cast doubts on the tradition of uprising as, to put it in the words of L. Novomesky, a rich source of a new historical conscience of the Slovak nation? Or perhaps also to accuse the armed units of the Slovak National Uprising in order to detract from their contribution and thus reduce some of the social advantages flowing from it, which are in fact much lower than, for example, those of the French, Belgian, or Greek resistance fighters? It seems that it is the first, the second, the third, and the fourth.

Open, free, and public evaluation of these problems will have an extraordinary scientific and social importance and impact. Because at issue will be not only a historically true—not defamatory, not glorifying—assessment of the Resistance and the Slovak National Uprising. Such assessment will also have an impact on our present and our future. On the standing of the Slovak people and Slovakia. On Czecho-Slovak relations. On a new place of the Czecho-Slovak statehood in the emerging new Europe.

#### **Reader Finds Divisions Among Ruthenians in Slovakia**

90CH0337A Prague LIDOVE NOVINY in Czech  
24 Jul 90 p 6

[Letter to the editor by Bohdan Zilynskij, Prague:  
"Ruthenia—An Unrecognized Nation"]

[Text] The article in LIDOVE NOVINY No. 97 by M. Vyrostkova-Caslavkova thus far elicited two published

responses which agree with the author's arguments and conclusions. But it would be highly unconscionable to present the Czech public, which always had some difficulty understanding these matters, with ready-made recipes and explanations from only one involved side. There is also another side, which certainly is not represented only by the functionaries from the former Cultural Association of Ukrainian Workers, whose "Ukrainianism" can be held in doubt in a number of instances, but by what is a not inconsiderable part of the urban and country residents in Northeastern Slovakia, the intelligentsia in particular. They continue to consider themselves to be of Ukrainian nationality, not as something that was forced on them from outside but because of their own inner conviction. It cannot be ruled out that this Ukrainian-oriented group is a minority today, but to give some numerical estimates before a census would be unwise. In any case, during the census everyone should be given the right to enter either a Ukrainian or a Ruthenian nationality according to their own conviction and afterwards both these nationality groups should have the right to organize their cultural life and promote their points of view. I consider any other solution to be impossible. After all, this is an area of Central Europe where only now the process of forming a national consciousness is under way, which could not proceed in a normal way before November 1989, when the main "creator" of nationalist policy was the CPCZ. As is obvious, now in northeastern Slovakia we see the reemergence of the situation, in a simplified form, that existed in the between-the-wars Ruthenia, where the Ukrainian, Russian, and Ruthenian cultural-language streams contended with each other. In conclusion, I want to point out that in the Association of Ukrainians in the Czech Republic there are, among others, many natives of northeastern Slovakia who profess themselves to be of Ukrainian nationality.

#### **Interest Lacking in Publishing Common Czech-Slovak Periodical**

90CH0337B Prague LIDOVE NOVINY in Czech  
24 Jul 90 p 5

[Article by Zdenek Eis: "I Do Not Want To Argue"]

[Text] There really is no point in arguing about what in the Slovak or Czech culture was most affected under the former regime. Whether it was the theatre, literature, film production, music, or the plastic arts.

I myself think that writers and publicists in particular were the ones who contributed substantially to the deformations. Writers and publicists enjoyed a good reputation in the nation 22 years ago. But of course those who were among the normalizers lost that reputation.

Today we still have not finished analyzing what happened or did not happen in the Czech and Slovak literature during the past 20 years. But one thing we were

able to observe during the past six months. The life of writers' organizations here and there, in Bohemia and in Slovakia, has been totally different. The Czech ill will toward the association was great and so after some labor pains, the Community of Writers came finally into being.

In Slovakia it was different. And why not; we are talking, after all, about two individual literatures. In any case, we should start getting used to the fact that what applies in Czech culture does not necessarily apply in Slovak culture and, understandably, also the other way around.

Today, the Slovaks have four writers' organizations. And I am not even quite sure that I did not forget any. If only because to find any Slovak cultural publication, or even a Slovak newspaper in Prague is, thanks to the Postal Newspaper Subscription Service, still quite a feat.

In Slovakia, the old writers' organization was made into the Association of Slovak Writers. Some Slovak writers were not satisfied with the association and they founded the Community of Slovak Writers. And in addition to that, the Club of Independent Writers was formed. And, when we add the Slovak PEN Club, we have reached number four.

A reader may feel like asking: And is this all? I really do not know; come to think of it, in Slovakia there are also writers who write in Hungarian, Ukrainian, maybe Ruthenian and, as I hear, even in Romanian. Do they have their own associations or do they belong to the four Slovak organizations? I really do not know.

The Slovaks have the right to found as many writers' organizations as they deem necessary. For us, for the Czechs, it is important that all four writers' organizations issued a statement against a cultural and state separation from the Czechs. They are against a break-away from Czech culture and against nationalistic excesses. That is a good thing to know in Bohemia, because in our paternalism we have a tendency to put all Slovaks into one barrel and we are not used to the fact that everyone is considerably differentiated within their national community.

Nothing against rights and variety. Today anyone can establish, if he can afford it, even ten writers' organizations. But for the life of an association it is for the time being necessary to have a subsidy, that is support from the state. And that is also what the emerging controversies are about, as was already manifested in Slovakia. One will say: They received a lot, we received only a little, we want the same as they have. It is a purely internal Slovak affair.

Today we know how to say: This is Slovak and this again is Czech. Except that in Europe and in the world they are also interested in what is Czechoslovak. We should try, on both the Czech and the Slovak side, to create a Czechoslovak cultural journal which would represent the creative contribution of Czechs and Slovaks, as well as that of nationalities living in Czechoslovakia. That

would be doing something that is, after all, also in demand abroad. I wrote about it to Dr. Chmel in Slovakia, writers Tazky and Ponicky, and spoke about it also with Minister of Education Ladislav Kovac. For the time being, I am sorry to say, there have been only words; nothing has been realized yet. Pity. We do not have to have doubts about the need for such a cultural act.

## POLAND

### Kaczynski on New 'Democratic Action' Party, Presidential Elections

90EP0767A Lodz GLOS PORANNY in Polish 23 Jul 90  
pp 1, 3

[Interview with Jaroslaw Kaczynski, senator and editor in chief of TYGODNIK SOLIDARNOSC, by H. Sroczynski; place and date not given: "Acceleration...to the Chair"]

[Text] [Sroczynski] How do you assess the fact of the birth of the Citizens Movement-Democratic Action [ROAD]?

[Kaczynski] I view it favorably. Up to now various political groups have attempted to raise the Solidarity flag for themselves. This was a very unhealthy situation. But this is not a political flag, in the party sense. It represents values common to all groups of a democratic nature. Its use by any one of these groups is abuse.

[Sroczynski] The Center Accord did not do this?

[Kaczynski] We never attempted to shield ourselves in that flag; we grow out of Solidarity, but we have said that we represent a part, not the whole of its traditions. The Democratic Action group also represents a part of it. Considering the composition of the founders of the action and its opinions and hierarchy of values, although this has not yet been completely explained, one could say we are dealing with a leftist or moderate leftist group.

[Sroczynski] That is not just a formality?

[Kaczynski] This group is needed in the Polish arena. And it would not be good if the leftist line were exploited by postcommunist groups. I am glad that ROAD has emerged, but I am worried by its attempts to classify the Center Accord as an antidemocratic political force. The statement that they are more to the left than the Accord is an example of an inappropriate means of carrying on a political battle. We say of our opponents that they are leftists; this upsets them and in retaliation they accuse us of being antidemocratic or imply that we are nationalists. We do not treat the word "leftist" as an epithet but as a political assessment of a direction that is present in our history and has its own traditions. This assessment is not a sociotechnical trick. We would like it to come down to an encounter of political programs.

[Sroczynski] This encounter is already taking place to some extent. Just look at the question of political acceleration. Democratic Action tells us: accelerate but without disturbances.

[Kaczynski] We advanced the idea of acceleration, which is now accepted in large part even by our former critics. I do not know how we were credited with aspiring to disturbances, with using some sort of extraordinary, extralegal methods. There is nothing of the kind in our platform, nor in our statements. We want acceleration and we will support it. We can see that others are also evolving in that direction. But we appraised the situation faster and these are points in our favor. But we are not denying others the right to support this line.

[Sroczynski] What is your prognosis for the development of the situation in the next few months?

[Kaczynski] Democratic Action's coming out with the slogan "Presidential elections this year" has finally resolved the issue of changing the head of state. The fact that presidential elections were proposed first, and parliamentary elections thereafter, is very important. In the Center Accord's opinion, without political changes, conducting parliamentary elections in Poland could end badly. We proposed, and still propose, to decide this issue in the most "convenient" way, although it has its drawbacks. The point is election of a president by the National Assembly. Democratic Action, on the other hand, is proposing a constitutional amendment and general elections.

[Sroczynski] What does the Center say about that?

[Kaczynski] Certainly we will not oppose that amendment. The Center Accord will support it, because the most important thing is not the means but the end—election of a president. We are not afraid of general elections with our candidate Lech Walesa.

[Sroczynski] And if introducing the amendment fails?

[Kaczynski] If a blockade arises in parliament, we will be in favor of the National Assembly's holding presidential elections.

[Sroczynski] But perhaps the old coalition will be revived?

[Kaczynski] It is and is not being revived. Today these divisions are very complicated and the voters are cutting a varied path through the old coalition. The Citizens Parliamentary Club is also disintegrating in certain matters. In any case, we, as the center, are not inclined to the same thing, and in this perhaps we differ from Democratic Action—to negotiating political compromises, to promising something to the majority side in the Sejm in exchange for a constitutional amendment. We feel that it is not worth the trouble.

[Sroczynski] Everyone is talking about earlier elections, yet that depends on whether the Sejm wants to dissolve.

[Kaczynski] That is a matter for the future; when we establish our president and acceleration creates a different atmosphere in Poland, it will be possible to introduce our other plans as well. This Sejm, in its nondemocratically elected part, must, after all, pick up signals from the outside and this permits passage of new rules, dissolution of parliament, and calls for elections. So today a change in atmosphere and the beginning of acceleration are most important. So we do not treat the mechanism of regeneration of the old coalition as something particularly dangerous.

[Sroczynski] Will you support one candidate for president?

[Kaczynski] Walesa has agreed to run; we see him as the best candidate. Poland needs a strong push forward; it needs a representative on an international scale, even a world scale. Walesa has status, regardless of the attacks against him that have occurred lately. He has it in Poland and in the West, where his authority and charisma are acknowledged. This will allow him, more effectively than others in my opinion, to take Poland through a difficult period.

[Sroczynski] But your candidate wants to govern by decree.

[Kaczynski] That is a matter of a certain figure of speech he used. In any case, he was referring, although the mistake was that he did not say so, to a historical example—Grabski's reforms introduced by government orders with the force of law. In today's lexicon, these are called executive orders. I would add that these orders were issued on the basis of Sejm authorization and the methods themselves proved effective. If the Sejm wanted to grant such powers now, of course this could only pertain to economic matters.

Such an alternative could only be considered here in certain circumstances, nor does it constitute a constructive element of our platform. These circumstances are the necessity for quickness of action. In many cases, the current government has lacked this quickness, despite parliament's hard work.

[Sroczynski] Not long ago, one could read about your preparations of new government makeup.

[Kaczynski] That is a lie and an example of how the press can manipulate public opinion. It is knavery done by little people. Unfortunately, lies are often used against us by the media. That is why we stipulate that one of the central publications be assigned to us—this is probably realistic—and we will fight decisively for the opportunity to present our views on television, above all for the chance to set straight these obvious lies.

[Sroczynski] But you have the Solidarity weekly which you head.

[Kaczynski] It is an organ of Solidarity. Anyone who reads it can see that there are many directions in it.

Rightists write there but so do people with leftist opinions. The Center Accord, on the other hand, wants to create an independent publication that would have a different direction than GAZETA WYBORCZA.

### **Warsaw President Wyganowski on City Government, Office Duties**

90EP0756A Warsaw TRYBUNA in Polish 29 Jun 90  
p 2

[Interview with Stanislaw Wyganowski, president of Warsaw, by Irena Szczukus at the president's residence in Warsaw; date not given: "To See Farther From City Town Hall"—first paragraph is TRYBUNA introduction]

[Text] I met with Dr. Stanislaw Wyganowski at his residence in Mokotow within three hours of the announcement of the results of the Warsaw presidential election. His doctor had ordered him not to leave his home. The reason was an upper respiratory infection for which antibiotics had been prescribed. This was a stroke of luck for the reporter—the possibility to see how the boss of city hall lives. Two rooms and a kitchen tastefully furnished (his wife is an artist and one of his two sons does ceramics). We had tea, because it was too late at night to drink coffee, and we talked.

[Szczukus] The voting results in the Warsaw Electoral Assembly have determined who the president of Warsaw will be, but you will not be a new figure in city hall. How do you assess the past five months?

[Wyganowski] It was a difficult period for several reasons. Many people approached me requesting my intervention in matters, hoping that as a new person I would do something for them. Much of my time was absorbed in discussion with various foreign contractors. This was very important, but not every talk ends with a transaction. Often this is just the beginning. There was a multitude of routine tasks: the mail, papers, minor matters, and very little time to conceptualize. I think that this will change now. I would like to organize my duties in a way that would allow me to make contact with bright people, experts on the various questions, to ask them to help administer the city.

[Szczukus] Is it true that you want to make Bujak your deputy?

[Wyganowski] I had envisaged Zbigniew Bujak as an opposing candidate for the position of president, but that did not happen. His heart is not in the self-government system: Warsaw as a union of seven gminas. Of course, if he would like to be my deputy, that would make me very happy.

[Szczukus] Three deputies are needed. Whom will you select?

[Wyganowski] I have been thinking of specific names, but please do not ask me to reveal them as yet. Let me

only assure you that I do not plan to be led by political options, but that I would like to entrust city tasks to professionals.

[Szczukus] I suspect that this will not be easy, and that the councilors will be an obstacle. We had a sample of how the councilors think and act at the Electoral Assembly—how suspicious and egocentric they are and how arrogantly they act.

[Wyganowski] Political culture must be learned. Essentially, the councilors do not hide their fears that the union of gminas and the office of president of Warsaw threaten the autonomy of the gmina-districts. This is incorrect thinking. I see the union's role as a service and informational one. Undoubtedly, the board and the president will have a broader field of vision and will base their work upon information which flows in two directions. They will deal with the most costly areas of city life: transportation, heat, water and sewage. The board must also have an overall vision of the expansion of Warsaw, finance municipal construction, and set up foreign contacts. It must perform a promotional role with regard to the districts, and must also integrate them. I also realize that conflict situations may arise between gminas. Then the board and the president will act as mediators. It is extremely important to let go of suspicions and trust city hall. As for the union, the statute describes its operations. The preliminary version of the statute is ready and the Warsaw Council, which is composed of representatives from all Warsaw districts, is giving its reaction to it.

[Szczukus] The board, the Warsaw office, the office of the voivodship governor, the gmina office.... This makes it difficult for the ordinary citizen to know where he should go with his problem.

[Wyganowski] I believe that the gminas should have the most power, so that people do not have to travel to distant offices with their problems. Otherwise, we would have to print up a guide indicating who handles what matters and their addresses. The Warsaw law assigns many powers to gminas. Some of these are in the form of tasks entrusted to them. This, in itself, is not the most convenient arrangement for it establishes substantive control of the state office by the gminas and not only verification by them of the legality of procedures.

[Szczukus] It is impossible to govern without money....

[Wyganowski] Consequently, the gminas will have to support the board financially. Beginning next year there will be a new system of principles for financing gmina budgets. The model of how to draw from them for the municipal economy has yet to be developed. We have no models or precedents. A large city is expensive to operate, and Warsaw is particularly expensive because there has been underinvestment, especially with regard to municipal installations.

[Szczkus] On various occasions you have spoken out in favor of transforming Warsaw from the provincial city it undoubtedly is now into a ranking European metropolis. This seems unlikely today.

[Wyganowski] Not only I, but other urbanists and sociologists and economists as well see an opportunity in the geographical location of Warsaw. It can be an important intermediary in trade and other contacts between the West and East. But capital spending in Warsaw must be increased. We cannot manage this alone, hence my interest in an influx of foreign capital to Warsaw. This can help us to rebuild the city center. Moreover, we must continue the building of the metro at an accelerated rate. We are now in talks with Canadian contractors who are ready to put in a metro to Mlociny. The French are also interested.

[Szczkus] Many problems have proliferated in the capital. I realize that local authorities cannot cope with many of them. But do you not think that sometimes the resolution of these problems from above creates apathy, or even enmity. I am speaking specifically of the decisions you made when you took presidential action with regard to construction in Stara Milosnia. Should this not have been left to the self-government officials and the voivodship governor?

[Wyganowski] Those opposed to this investment reacted hysterically to the freeing up of the construction of the housing development, which, I might add, SARP [Association of Architects of the Polish Republic], the Society of Polish Urbanists, and the Ministry for Territorial Management all recognized to be substantively valid. For a while I received threatening telephone calls here at home. But this decision could not be put off. One day of delaying the capital spending project cost 50 million zlotys. Many people who had invested their entire life's savings or who had incurred credit took the matter to court. Despite earlier blunders, this project must be completed. Contrary to rumors, there are not many residences of prominent people there. The 3,000 people who want to move in there, in the houses and apartment complexes, are ordinary people. As for the protest from current residents, for many of them ecological concerns are just a smokescreen. There is the fear that this building project will lead to a drop in the price of lots in the neighborhood, and particularly in Anin.

[Szczkus] Thank you for the interview.

### **Rural Solidarity Outlines Alternative Agricultural Policy**

90EP0754C Warsaw RZECZPOSPOLITA in Polish  
25 Jun 90 p 3

[Article by W.K.: "In the Villages as in the EEC"]

[Text] "Even if the election campaign were to begin tomorrow, we are already prepared for it because we have an agricultural policy," said Jozef Slisz, president of the Polish Peasant Party [PSL] Solidarity, opening a

conference of party representatives on June 23 in Warsaw. He added that the policy still requires discussion and acceptance by party members. It's implementation means that rural Poland will produce much and inexpensively as is the case in EEC countries.

The policy, presented by its coauthor Mieczyslaw Kaczanowski, assumes that the situation in agriculture will revitalize industry and the entire economy if they take more interest in the villages—improving their technologies—the chemical, feed, machine and farm equipment industries. Structural changes must necessarily occur. Currently only 40 percent of farmers operate on acreage larger than five hectares, and work on smaller farms is inefficient and burdensome. But in the future they can become a basis for intensive horticultural or healthful food products.

PSL Solidarity favors changes in farm structures but this process must occur simultaneously with development of the rural infrastructure, creating new jobs. Restructuring should be stimulated by the state, bringing a variety of financial help to farmers who increase their cultivation and protecting those farmers who decide to change their occupation. Polish agriculture, profoundly differentiated as regards sizes, tradition, and farming techniques, requires the state to apply different preferential alternatives for individual regions. As soon as possible, self-management economic structures should be created in the form of agricultural chambers which would not replace local self-management units, the Solidarity union, or farm circles and village cooperatives. The agricultural chambers, whose establishment would require legislation, would take over most of the powers of the current state administration and gmina council organs, including supervision of the agricultural service, development centers, agricultural education, and farm service enterprises and institutions subsidized by the state. The chambers would also establish tariff and price instruments to favor Polish producers and favor export of our goods.

The program assumes privatization of state farms, which will occur gradually. In the first phase, large combines will be divided into individual farms taken over by employee stockholders and various kinds of leases, along with which it is necessary to take into account that fully repayable parcelling out of state farm land will only be partially possible.

During the discussion, the participants emphasized that the complex program to which they had been introduced is a program adapted to conditions of a normal economy, which perhaps will be formed next year. So it does not constitute a correction of the currently implemented state program, but is a separate concept for the operation of agriculture connecting the market economy with state intervention. But for the time being, the participants said, the problem is the recession, which makes difficult or impossible the sale of many products and lowers the quality of our food products, which prohibits greater exports of them.

Much time was devoted to the agricultural chambers in noting that they cannot have a decisive influence on the level of tariffs, since this is in the hands of the government. Economic self-management units should be created on the basis of their prewar Polish model or patterned after contemporary French and West German structures, financed partly by a land tax.

Several speakers opposed giving preferential credits to agriculture, since this would lead to various kinds of corruption, and spoke, instead, in favor of normal credits for everyone and ordinary tax relief on the basis

of investments and cost incurred. Also arousing emotions was the issue of "farmerization," which is admittedly a necessary outlet if we want to have good, cheap food products, but is also a solution that is already generating anxiety and conflicts in the villages.

The draft project will be discussed in all PSL Solidarity units and, after the submission of any corrections, passed at the party congress to take place in August. Also discussed at the meeting were draft bylaws of the peasant party.

## BULGARIA

### Agricultural Production Affected by Fires

90BA0251A Sofia ANTENI in Bulgarian 18 Jul 90 p 4

[Article by Stoyan Petkov: "Money Turned to Ashes"]

[Text] On 6 July 1990, at 1145 hours, Colonel Georgi Bozukov, director of the National Fire Prevention Service, said that, knock on wood, he hoped we would be lucky and that no major accident would occur.

It was on 6 July 1990 at about 1500 hours that cardboard boxes were burning in the Slatina district in Sofia, in front of the warehouse of the new Bulgaplod vegetable base. In a few minutes this developed into the biggest fire Sofia firemen have had to fight in the past seven years.

It took great effort to put out this fire, which was a test of the training of the men and their equipment. It indicated that, however much we may be knocking on wood and relying on our luck, irresponsibility can always present us with all sorts of surprises. At the same time, it makes us remember that not so long ago Svilozha and the chemical plant in Devnya burned down. We are now left guessing where the next "surprise" will occur because precedents for this are clear. Suffice it to look at data on the first half of this year: We find 3,131 fires and 4,768 fire starts. And since of late we have become accustomed to rate everything in terms of money, here is one more figure: The actual damage has been estimated at 7.2 million leva. Experts claim that the losses for the first six months of the year are several times higher....

Generally speaking, a great many things could be learned if we studied more frequently the statistical information provided by the National Fire Prevention Service. We would see a great deal of confirmation to the effect that one does not play with fire. In June alone, for instance, the total number of fires in agriculture was 125, with 29 in industry; 14 commercial projects and 84 residential buildings were on fire, and, although specialists claim there are between five and 10 fires on an average day, unpleasant exceptions are numerous. The "peak" was achieved quite recently: There were 36 fires and 44 ignitions on 2 July; the respective figures for 3 July were 33 and 69. On that day alone, more than 100,000 leva was turned into ashes.

The big fire in Sofia seems to have pushed into the background another dark statistical figure. By the end of the first week of July alone, 1,220 decares of crops, 327 tons of fodder, nine combines, and other agricultural equipment burned down, with the harvesting only half-finished. Another reason for concern is the fact that, during the harvest campaign last year, 550 decares burned down.

Such examples are quite numerous. What is more important than their enumeration, however, is something else: Of late it is being increasingly said that the reasons lie in ineffectual legal rules because, to say the least, it is

ridiculous to impose a symbolic fine for a livestock farm that burns down or for a field under wheat that is turned into ashes. Meanwhile, the Insurance Institute is compensating for the losses of people with foresight. This disparity between losses and penalties leads to formalism and inaction concealed behind paper fire-prevention readiness.

Here is another sad remark: For many years the crops have been guarded by persons over age 60. Many of them (which has been an open secret for quite some time!) are hard of hearing, and their eyesight is even worse. Fire-prevention units that consist of such "fighters" are purely a formality. Furthermore, today one very rarely sees volunteers fighting crop fires. Various explanations exist, but they do not change the facts. We could envy many other people. In the FRG there are no more full-time firemen than there are in our country, but the number of irregular firefighters is 20 times higher. The irregulars not only wear the same uniform, but their skill is also equal to that of the professionals. The same situation prevails in many other countries.

According to the specialists, there is little difference between our equipment and the equipment of other nations. Most of our fire trucks have equipment provided by famous companies. Nonetheless, we are short of motor lifts and ladders. The worst part is that it is difficult to procure them. Here is a specific example: Two years ago discussions were held about purchasing two ladders. Fifteen percent of their cost was made as a down payment when the contract was signed, after which everything was frozen. If we fail to meet our obligations, not only will we be deprived of the equipment but we will also have to pay a 70-percent fine.

We recently learned that a unit from Sofia's fire-fighting service was not allowed to reach the site of a reported fire. According to the fire fighters, this was not an isolated case. Their route passed not far from citizens engaged in a protest action, who blocked the road. It took the fire-fighting unit almost a half-hour to convince them that this was an emergency. The people did not believe them; they thought the firemen were coming to clear up the square. Luckily, this turned out to be a false alarm. "I state most responsibly that not a single one of our fire trucks is suitable for dispersing demonstrators with water," Colonel Georgi Bozukov said at a meeting with journalists. "You can see for yourselves that, even without such activities, our obligations are quite burdensome...."

## CZECHOSLOVAKIA

### South Korean Trade Mission Opens for Business

90CH0188A Prague LIDOVE NOVINY in Czech  
21 May 90 p 3

[Interview with Kang Yong-Jung by Jaroslav Beranek in the Palace of Culture; date not given: "Korean 'Prince' in the Palace of Culture"—first paragraph is LIDOVE NOVINY introduction]

[Text] The South Korean state organization for the promotion of foreign trade, known by the acronym



KOTRA has missions in almost 80 countries throughout the world. Its Prague branch, which was officially opened a few weeks ago, is in the Palace of Culture, and is headed by Mr. Kang Yong-Jung. In the following interview Mr. Kang, who during the past twenty years was stationed in, among other places, the United States, the FRG, Bahrain, and also worked as press secretary of the Organization Committee of the Seoul Olympics, speaks about the plans he brought with him to Prague.

[Beranek] When we were arranging this interview, you told me that the economic situation in Czechoslovakia is completely different from the state of the economy in other East European countries. Can you be more specific?

[Kang Yong-Jung] If you will allow, I will explain it in musical terms. You see, I believe that, while other East European governments chose the path of drastic economic changes in "tempo allegro," this is happening more slowly in Czechoslovakia, in "tempo adagio." In my opinion, however, you have taken the right path, and the slow speed cannot be considered wrong in this case. Because, if you accepted excessively radical measures and were to realize that you made a mistake, you would be totally lost. I am convinced that you have enough time to catch up with the reforms in the other East European countries, and I consider your attitude to be the best.

[Beranek] Why do South Korean enterprises find Czechoslovakia interesting?

[Kang Yong-Jung] I would compare the situation in this case with the fairy tale of Sleeping Beauty. You have considerable potential in your labor force, but it was suppressed to a certain degree and could not play an important role in your economy. I do not mean to say that I am the prince who will awaken Sleeping Beauty with a kiss, but without doubt, our businessmen could play a role. It would be advantageous to both sides. You have outstanding chemical products, and highly developed heavy machine manufacturing and armaments industries, on our part, we are strong in the field of consumer electronics and the clothing industry.

[Beranek] But it is well known that, for instance, the products from our heavy machine industry are generally not exactly state of the art . . .

[Kang Yong-Jung] That is true, but we are still interested in them, because they are still functional and it would be more beneficial for us to import them and stop domestic production. We would be able to transfer the capacities freed by doing this to other more productive areas. And, on the other hand, your enterprises will gain time and means for a similar transition due to this cooperation.

[Beranek] You mentioned the armaments industry. Do you think that the Korean Republic is interested in buying weapons from Czechoslovakia?

[Kang Yong-Jung] I am not authorized to make a statement on this question, and I do not have enough information in this area. I only know that, for example, your tanks are among the best in the world. Naturally we also need weapons for our defence, and it certainly is not impossible that we will buy them from Czechoslovak producers, among others. But I repeat that I am not competent to give a specific answer to this question.

[Beranek] To what extent does the rather substantial geographic distance between our countries complicate the prospects of reciprocal trade?

[Kang Yong-Jung] It certainly plays a role but this disadvantage can be eliminated by establishing joint ventures, in which South Korean companies can invest, and their Czechoslovak partners would provide the labor. These enterprises would either have their own products or they would merely finish components and parts imported from Korea.

The first example of such a joint venture may be the cooperation between our company that produces musical instruments and your Petrof company. Also some South Korean automobile factories are investigating the possibility of joint ventures with Skoda or Tatra. So far, among the largest South Korean companies, the Teu (Daewoo) company has had a privileged status in Czechoslovakia, but at least five or six equally reputable companies are interested in gaining access to your market. One of them is Goldstar, a noted producer of consumer electronics, whose London representative asked me for help in opening his company's own branches in Prague.

[Beranek] In this connection I would like to pause at the problem of the labor force. I do not think there is any doubt about the high qualifications of our workers, but I am afraid that you must not expect the same willingness to make sacrifices for the benefit of the enterprise as you are used to from South Korean workers.

[Kang Yong-Jung] Naturally there is a significant difference in this area. Especially the fact that, to a certain extent, Czechoslovak workers have got used to the present system in which, as far as I know, there are no particular wage or other privileges for those who have seniority or for jobs with greater responsibility. Yet this is a major incentive to increase performance. For instance, the Goldstar company in the United States and the Samsung company in Spain have confirmed this in their joint ventures abroad. To begin with, the employees there continued to work the way they used to, but within a year their attitude toward work totally changed. But I would like to state that we, too, will have to adapt to the customs here to a certain degree, and together we will move closer to the point where both sides will be satisfied. At this point, I would also like to applaud the high standard of cultural life that your citizens have, and I do not merely mean education, I also mean interest in music and literature. I have the feeling

that this ability to spend free time in a quality way is rather higher in your country than in other East European countries.

[Beranek] Have you any idea how our workers would be paid in mixed enterprises? Are you not attracted to Czechoslovakia primarily because of the cheap labor?

[Kang Yong-Jung] If you are talking about the currency in which the wages would be paid, all I can say is that we will not do anything that would conflict with your current laws. Apart from that, it makes no difference to us whether we pay the employees of the joint enterprises in hard currency or in Kcs. And as far as the second part of the question is concerned, you are right that labor is a little cheaper here than in South Korea. But this is possible due to various state subsidies, for instance for apartments. Once you have made the transition to a different economic system, these subsidies will have to be cancelled and as a result, our enterprises will also have to increase wages in factories on your territory.

[Beranek] The growth of the South Korean economy has slowed down recently. Could entering East Europe provide you with a new stimulus?

[Kang Yong-Jung] Not at this time, because the market in these sectors is weak. However, that is the very reason why it would be beneficial to us if we helped to invigorate the economies in East European countries, just like others helped us in the beginning. The political aspect of this cooperation is also important, after all, it is better to talk than just to exchange angry glares, as we have been doing during the last 40 years.

#### Amendment to Sales Tax Law Discussed

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in Czech 27 Apr 90 p 4

[Article by Eng. Jan Klak, Federal Finance Ministry:  
"Amendment of Sales Tax Law"]

[Text] On Thursday, 19 April, The Federal Assembly of the CSFR [Czech and Slovak Federal Republic] passed an amendment of the Sales Tax Law; this was the first legislative amendment of a law that had been valid for almost four decades. The original objective of Law No. 73/1952 Sb. [Collection of CSSR Laws] on Sales Tax had been the separation of wholesale and retail prices. The isolation of price ranges made it possible to concentrate a decisive part of the financial resources for production in the hands of the state administration and thus also enabled the practical realization of the so-called concept of socialist industrialization. Thus the sales tax became the foundation stone of the administrative directive management method.

At this time, for objective reasons, the amendment to the law does not mean a fundamental change in the original role of the sales tax in the economic mechanism, and does not mean a major reestablishment of the producer's contact with the results of marketing. A sudden and total

revocation of the sales tax law and the creation of a direct interconnection between the two price levels through a unified or minimally differentiated sales tax rate, or even a transition to a value added tax would probably evoke widespread structural shifts for which neither the enterprise sector nor the citizens are prepared economically or psychologically.

On the other hand, it was imperative to include in the sales tax law changes that have already occurred or are beginning to occur in the economic mechanism, in such a way that the sales tax law would not become a hindrance to the structure of the system and an impediment to the reform process. Thus it primarily legalized new types of enterprises that would be sales-tax payers, i.e., they would have the same status as state enterprises, allowing them to purchase supplies at wholesale prices. Therefore, in Section 2 of the Law, the amendment extends the group of taxpayers to include entities with new forms of ownership—for example, joint-stock companies, enterprises with foreign participation, physical persons who are entrepreneurs, and entities domiciled abroad.

To prevent speculation and tax evasion, in regard to citizens—private entrepreneurs—the amendment to the law explicitly states that only physical persons entered in the enterprise register will be sales-tax payers. This is because the individual, by entering his name in the enterprise register, explicitly chooses a commercial form of enterprise, equal to a state enterprise, including the extent of obligatory complete accounting records. If the private entrepreneur merely registers as a businessman at the appropriate office, he is obligated to purchase supplies for his activities at retail prices, he does not add the sales tax to his sales, his commercial profit is subject to citizen's income tax, and his accounting is much simpler. Therefore it is up to each individual entrepreneur to choose the alternative that is best for him from the business point of view, and accounting that is supportable from the administrative point of view. However, under no circumstances, can one combine the price level of inputs in connection as well as add the sales tax to gain a unilateral advantage.

In contrast to the original definition of sales tax as an instrument for the regular withdrawal of a part of the accumulation created by enterprises in the socialist sector into the state budget, Section 1 of the Law, in accordance with the objective facts, redefines the sales tax as an instrument for the distribution and redistribution of the national income. Furthermore, in Section 3 of the amendment, a commercial practice of long standing was legalized through the explicit statement that the tax does not apply to the revenue from the sale of goods abroad or to the import of noncommercial goods. On the other hand, in regard to the import of commercial goods, the taxable sales delineated in the original law were completed.

An important completion of Section 4 of the Law is the provision that the sale price of goods sold on the

domestic market for foreign currency will also be considered to be taxable income. While retaining the dominant role of Czechoslovak currency, this addition to the law should, from the tax point of view, satisfactorily resolve demands and instances which cannot be totally eliminated in commercial practice. Specifically, for example, this concerns the supplementary sale of products to foreign customers in international hotels, foreign exchange sales on CSA [Czechoslovak Airlines] planes, or exceptional permits granted to foreign importers of goods. From the above, it is obvious that these are peripheral matters, connected with the promotion of tourism or the partial saturation of the domestic market with a very limited range of products.

The creation of new types of enterprise entities substantially raises the demands for control on the part of tax agencies, and the attendant risk of tax evasions. Therefore, in this context, a substantial increase in penalties, both for late payment of taxes, and for insufficient legal tax payment was included in Section 14 of the law. The rate of the penalty for late payment of taxes was doubled, compared to the present situation (0.1 percent for every day it is late), and a new penalty, in the amount of 20 percent of the portion due, has been introduced if the tax payment is too low. Compared to foreign countries, these increased rates cannot be considered to be excessive, and consideration was taken of the fact that a number of entrepreneurial entities will have to learn the tax agenda and will work closely with the present financial administration, as well as the new tax agencies (similar to former income tax offices), which are expected to be set up by 1 January 1991. These new, independent tax offices, furnished with the necessary technology and working on a high professional level, should eventually take over all taxpayers, including those that fall under the auspices of the National Committees at this time.

Less significant amendments of the Sales Tax Law include a change in deadlines for payment of taxes, so that the deadlines will be linked to the system of macro-economic returns statements, as well as to the changes in terms included in the amendments of other laws and instructions on execution. As far as is necessary, the amendment of the law also includes changes in the actual organization of the tax administration that occurred after 1952. In connection with the amendment to the law, a ruling was drafted and adapted, according to which the sales tax law will be implemented. A complete version of this ruling, respecting earlier partial amendments, should be published in the near future.

On the whole, one can say that the approved amendment of the law is a typical measure of the transition period, which permits economic adaptability during the transformation to a properly functioning market. Total transition of the economy to a market mechanism and Czechoslovakia's integration into the bloc of West European industrially developed countries requires the transition to a value added tax relatively soon. The approved Sales Tax Law amendment should provide some initial prerequisites to attain this objective.

### Problems of Denationalization, Privatization Viewed

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[Article by Dr. Zdislav Sulc, C.Sc.: "The Attempt at Free Distribution Leads Nowhere"]

[Text]

### Denationalization and Privatization of the Czechoslovak Economy

Work on the privatization project, based on mass distribution of national assets, is in full swing at the Federal Ministry of Finance. However, the government and parliament will have the final word. I wonder whether a temporary government and a nonelected parliament really have the mandate to make such a far-reaching decision—particularly in a situation where there was no opportunity for prior presentation of opposing views. Are we again going to act first, as for instance, with the January devaluation and then, with great difficulty, correct the problems we have caused?

The contemporary world is full of paradoxes. This is doubly true when regulating ownership relations in society. After the Second World War the slogan that estatization (nationalization) was the key to solving social economic ills, became the basis of electoral successes not only of communist and socialist parties in East Europe but also in France, Italy, and even in Great Britain. During the last decade in the West, particularly after the disintegration of totalitarian regimes in the East, the role of a magic wand that will solve the economic problems of individual countries has been awarded to the privatization of the nationalized sector.

The 40-year development that brought countries with a predominantly nationalized sector to an economic slump or recession, at the same time as economies based on a strong predominance of private enterprise attained an extremely dynamic development, seems to prove that such a reversal is justified and necessary. This is also why most of the governments in the first-named countries, including the CSFR, incorporate a more or less radical program of privatization in their transition programs toward a market economy. In our case it is a more radical program, as is demonstrated by the frequently used expression "quick privatization" and by the proclaimed notions on more or less immediate transformation of enterprises into joint-stock companies. At a meeting of enterprise managers in Brno on 17 March 1990 the Federal Finance Minister, Vaclav Klaus, outlined one option of such radical privatization. According to it, every citizen would receive asset coupons (some kind of "investment money" as opposed to normal money) free of charge, for which he would either be able to buy shares in former state enterprises that have officially been changed into joint-stock companies, or buy or rent so-called communal assets (a part of the former state sector designated for sale or rent).

The desire to void the former ownership anonymity of nationalized enterprises, which officially belonged to everyone, but in fact to no one (with appropriate results in the behavior of economic entities, i.e., enterprises and individuals) by means of the "big leap," is obvious. It expresses a particular way of thinking that links the motivation of economic behavior exclusively to private ownership. The ideology of pre-Marxist and the majority of post-Marxist socialists, who considered private ownership as the source of all dysfunctions in the economic development of society (depressions, unemployment, the property polarization of rich and poor, etc.), has been turned back-to-front, and interpreted as the universal source of an effective, fully functional development of the economy.

### We Do Not Live in the Times of Adam Smith

If we were dealing with the economy of Adam Smith's times, when the owner and manager were usually one and the same person, we could accept this assumption about the decisive motivational role of ownership in enterprise and use it as a basis for delineating the transition of our economy from its so-called fully nationalized and centrally planned form to a market economy. But too much water has flowed under the bridge since Adam Smith's time, and the structure of the economy has undergone enormous changes. Apart from enterprises of the "Smith" type, the large-scale enterprise (usually a corporation in the form of a joint-stock company), where the ownership and managerial functions are separate and relatively independent, achieved major importance in the economy. Thus the simple model of enterprise motivation has become more complex and has been modified. The focus of the owner's motivation has shifted from the sphere of the enterprise's performance to choosing a manager who performs the business activity as a representative of the owner and on his behalf.

The ownership function is divided: The owner himself ensures that the capital he invested in the enterprise does not go to waste, and that it will increase in value and bring dividends—not just any dividends, but the highest ones possible. He confirms this each year when reviewing the company's annual accounting report, and daily on the stock exchange according to how his shares are doing. As a rule, he exerts his influence in two ways: if his ownership share is large enough to participate directly in the board of directors, he will use it to choose a manager; otherwise (and considering the present great dispersion of share ownership this is the rule rather than the exception), he will express his possible dissatisfaction with the performance of the business functions only indirectly—by selling his shares.

The motivation of the manager and his behavior have no connection with ownership. His fate, his livelihood, and his survival depend on whether, through the performance of his business function, he can demonstrate his ability to attain an above-average increase in the disposable capital; in a money market economy, this means

higher than the interest rate. Two groups of factors play a decisive role in this: external factors—searching for and using business opportunities on the domestic and foreign markets; and internal factors—the ability to motivate the enterprise's employees (through wages, profit sharing, and use of sociopsychological incentives) to maximum performance. The manager's "capital," which he invests in the enterprise is his professional knowledge and ability. If he demonstrates them through the real performance of the enterprise he manages, he will survive. If he does not, he not only loses his job, but also the prestige of a successful manager, and thus the possibility of continuing in his profession.

Though this separation of motivation between the manager and owner (the state generally represented by the planning office and ministry departments) has not disappeared in nationalized, centrally planned economies, it has acquired a different, inverted form. While a manager in a market enterprise plays "a game for parameters" (i.e., the size of the profits), under the supervision of the owner-shareholder, and to his benefit, with other competing market enterprises and their managers, in nationalized and centrally planned enterprises he plays this game against the owner (the state) and to his detriment. Yet the parameters here are the "softness" and "hardness" of planning indicators and the enterprise has the a priori advantage of better knowledge of the territory, which often enables it to act more like an extortionist than a fellow player. This is the basis for the mechanism of the so-called inverted mini-max (the enterprises maximize input and minimize output) as the source of the inefficient, extensive, and permanently deficient development of centrally planned economies, as opposed to the normal mini-max (minimization of input and maximization of output) of the market economy, which is the basis of its overall high performance.

The contradictory difference in content and motivation of the performance of the enterprise function (management), seems solely to be the result of substituting the owner-private capitalist by the state. Knowledge gained from more than a decade of a centrally planned economy, in conjunction with the retention of the private capitalist ownership in Nazi Germany, however, clearly demonstrates something that numerous empirical studies have been pointing out since the 1930's about the behavior of corporations: That ownership is not the only, or even the determining, factor in large-scale enterprises that determines this behavior. As W. Eucken's<sup>1</sup> analyses proved, in a centrally planned economy private capitalist companies behaved fully according to the law of the inverted mini-max, just like the nationalized enterprises in so-called socialist countries. In both cases, the source of this distorted behavior by enterprises was the central planning that replaced the market as the coordinating mechanism of the behavior of economic entities on the horizontal level (supply-demand), with the mechanism of the central plan, based on the vertical coordination of economic entities through administrative directives and plan indicators.

### They Are Different Processes

Understanding these facts leads one to the conclusion that when changing from a centrally planned to a money market economy, one must make a distinction between two different processes which affect the speed of this transition in different ways: denationalization and privatization.

Denationalization<sup>2</sup> is a process in which former state enterprises become economically separated from the state. Firstly, this means that their business decision-making is no longer determined by the central state plan but exclusively by enterprise institutions on the basis of signals from a market environment. Secondly, it means that the consequences of this decisionmaking can no longer be balanced from the state budget. If, during the transition period, it would be impossible for some enterprises to adapt without grants with strictly defined time limits, this must be dealt with in the framework of self-financing of the Public Assets Fund created by denationalization (I will return to this later).

Therefore, the process of denationalization cannot be considered merely as the formal transition of former state enterprises to state joint-stock companies. The essence of this transition is much more profound and is characterized by two groups of measures which must be realized simultaneously as one "package":

1. The conversion of former predominantly nonmonetary "resources" to money capital by providing every enterprise with initial capitalization, which, however, it will not receive gratis, but will temporarily pay interest as it would on borrowed capital (this will then be the source for self-financing structural changes caused by the transition to a money market economy). The enterprise institutions will be entitled to dispose with the initial capital in the transaction of their business with one limitation: it may not receive its own income (profit) for expansion or for remuneration of its employees at the expense of the initial capital, and it may do so only after it has paid the interest and fulfilled all other tax obligations.

2. Simultaneously with the capital separation and the enterprise attaining independence, a "package" of changes, guaranteeing a system-creating minimum for the functioning of the market, especially the transition from the mechanism of planned prices to prices corresponding to actual supply and demand, a change in the tax system guaranteeing uniform taxation of all forms of enterprise ownership, as well as the equal taxation of the sum of citizens' incomes, etc., must be implemented. (My articles in *HOSPODARSKE NOVINY* Nos. 2, 9, and 12 dealt with this in more detail.)

The simultaneous "launching" of these two system-creating changes will provide the essential conditions for managing changes in denationalized but not yet privatized enterprises to stop acting according to the logic of the

inverted mini-max, and to begin to make their business decisionmaking conform to the law of the normal (market) mini-max.

Privatization, the purpose of which, apart from the above-mentioned resources, is to introduce additional motivational incentives generated by private ownership, is a process in which denationalized enterprises, whose ownership status is defined by the Public Assets Fund, are transferred to the ownership of other legal entities including physical persons. This can be done in various ways: through the sale of shares, or through the direct sale of assets to physical persons or cooperatives. However, privatization can also be implemented through leasing, without a change in ownership.

While it is possible to implement the first process—denationalization—in one step on a specific chosen date, naturally after prior preparation, this is not possible with privatization. All one has to do is to be aware of the substantial difference between the value of assets of the state sector, expressed in billions [U.S. trillions] of Kcs, (and if we add to this the formerly "valueless" lands, which is a matter of course in a market economy, this value will possibly increase at least by half, if not twofold), and the volume of citizens' savings (around 270 milliard [U.S. billion] Kcs), which generally represents temporarily postponed buying power that is primarily oriented toward the consumer market, and the problems connected with trying to achieve a "big leap" in privatization become apparent at one glance.

### Experiences From the World

Privatization is not easy even in experienced, developed money market economies.

At this time, there is no precedent in the world for a situation where a society, in which the economy is almost 100 percent nationalized, is attempting privatization; in our case this practically applies to the whole cooperative sector, including the JZD [Unified Agricultural Cooperatives], even though the enterprises in this case officially have the form of cooperatives. The maximum share of the state sector in most mature countries, measured by share in total employment, is far below 10 percent (Austria is an exception with a share of 12.4 percent). The share of this sector in gross fixed capital investments is higher and ranges between five and 20 percent.

Despite the relatively insignificant share of the state sector, compared to our country, even the most radical privatization programs are spread over a long period, sometimes exceeding a decade.

At this time, the most radical privatization program, carried out by M. Thatcher's conservative government since she came to power in 1979, is still continuing today. Yet during a single year, generally no more than two to three large enterprises are privatized, and those are not usually privatized in one go, but in stages (a 100-percent, one-time privatization is the exception

rather than the rule). One of the first privatized companies was British Aerospace (production of civilian and military airplanes, satellites, rockets, and other weapons): 52 percent were privatized in February 1981, but it was not until 1985 that the remaining 48 percent were privatized. The Cable and Wireless Company (telecommunications) was privatized in four stages—50 percent in October 1981, a further five percent in October, 22 percent in December 1983, and 23 percent in December 1985, etc.

Chirac's Gaullist-Liberal government coalition chose a faster rate of privatization in 1986-87. There were twelve total or partial sales of shares of state enterprises and banks, whereby advantageous conditions were offered to employees of the privatized enterprises (e.g. an additional share if they bought 10). To begin with, privatization proceeded smoothly. The number of shareholders rose from 1.5 million before the start of privatization to 6 million by the end of August 1987. However, in October this year there was a general collapse of the rates, including the shares of privatized enterprises (falling even below the rate of issue) and the process of privatization was stopped.

The problem is not only the government's desire to privatize. There must be interest on the part of the buyer, not only the seller. In Great Britain and in France there was great interest, especially just after privatization started. However, in France, after the rate crash in 1987, interest waned considerably. In the FRG and Austria, in contrast, the citizens did not show much interest even at the beginning of privatization. After Austria approved a law on privatization in mid-1987, there were no larger purchases of shares. At this time only two out of 100 Austrians own any shares. According to experts, the citizens there prefer the safety and security of state bonds or deposits in savings banks to high-risk shares.<sup>3</sup>

Apart from that, Hungary's first experiences also remind us how difficult it is to realize a privatization program. The initial great public interest in enterprise bonds bearing 11 percent interest, where supply could not satisfy demand, practically disappeared as soon as the rate of inflation rose, and the state's automatic guarantee for bonds was revoked in mid-1988. Since that time, as the Hungarian press writes, the enterprise bond market is in its death throes. During 1982 to 1988 there were 350 issues, but since then there have only been 24, and in 1989 there were only two. At the same time, there were massive sales of bonds from earlier issues to banks, so that the original capital financing of enterprises turned into bank loans.

#### **Ideology Turned Back-to-Front**

I understand that these facts are very unpleasant for some of our theoreticians on privatization, who link enterprise motivation and the development of a market economy exclusively or primarily to this phenomenon. If this were truly so, one decade would not be long enough to achieve a functioning market economy. And that is

why they suggest the above-mentioned "big leap," which, however, does not mean true privatization, but only a simulation of it that plagued with difficulties.

Let us attempt to see the possible consequences of simulated privatization on the basis of asset coupons which all citizens will obtain gratis.

In this article I will not elaborate on my generation's experiences with the distribution of the property of expelled Germans in the border regions after World War II, and its devastating consequences that can still be seen in many places today. I would like to believe that the instigators of the present method of distribution have a better cultural concept.

Concepts, however, are one thing, and the reality of the human psyche is another. It seems to me that the idiom "easy come, easy go" expresses a statement on human nature and on the creation of the quality of ownership relations, which has been proven over the centuries. Therefore, the implementation of this "coupon privatization" in the area of small enterprises, combined with the direct sale of previously state-owned assets is a daring venture. Even the proponents of entrepreneurs' associations do not try to hide the fact that, among the more than 100,000 people who are interested in private enterprise, there are many who are only seeking a way to get rich quickly and easily at someone else's expense (the variable and quick use of the "opportunity," provided to such enterprise by the rash devaluation of the Kcs, illustrates this quite graphically). In a different way, the distribution of assets gratis thus reestablishes the fact that there is no risk of losing one's own assets in running such an enterprise. And this was one of the sources of the distorted economic behavior of individuals and enterprises in a nationalized planned economy.

I will not even mention the fact that this undermines the effectiveness of macroeconomic efforts to preserve equilibrium and suppress the risk of inflation during the transition period. During this period, it is the mobilization of citizens' savings into the privatization process that counteracts their full assertion as "hot purchasing power," and contributes to maintaining the equilibrium of the consumer market.

So let us weigh the options of another area of the "coupon privatization" provided by the pseudopurchase of enterprise shares. It is natural, and the proponents even expect it, that the owners of the coupons will want to "buy" shares that bear the highest dividends. But where will they obtain the information to make such decisions? The data on the status of enterprises are—and will be for a long time to come—totally impenetrable. A capital market with a functioning stock exchange and other institutions should clarify them. But if this can be done within two to three years, it will be a miracle. However, even if the capital market were to start functioning next year already, how many potential shareholders will know how to find their bearings and operate in it?

However, let us assume that even such "hassles" can be dealt with. The owners of the gift coupons will buy shares in currently successful enterprises that are able to pay dividends. But who is going to buy shares in Skoda (irrelevant whether the one in Pilsen, or the one in Mlada Boleslav), or ZTS Martin, or other enterprises that are "drowning" at the moment, and will be digging themselves out of the quagmire into which the past planning and reallocation system got them for several years to come? But even if we were to assume another miracle—that our quasi-shareholders will participate in these enterprises—how will their ownership shares influence the process of converting armament production to peacetime production, or the efficiency of production by favorites in an enterprise with debts amounting to milliards [U.S. billions] of Kcs? The influence of the small investor on the manner and quality of management in large-scale enterprise is just as illusory as was the "participation of the worker" in former state enterprises (this does not quite apply to joint-stock companies with an ESOP [not further expanded] system, in which the enterprises' employees obtain shares on credit). In our case this is all the more valid since the endowed shareholder, in contrast to a normal one, is not risking the loss of his assets.

There is no need to go on. The theory of the "big leap" in privatization is only the expression of an ideologically motivated wish. It is really only the old socialist, and later communist, ideology about ownership as a miraculous cure for all ills in the economy—except that it has been turned back-to-front.

#### **Denationalization = Commercialization**

But let us return from the heights of ideology to reality. The fact that the motivating factor of privatization can only be introduced gradually and over a relatively long period of time makes it necessary to consider carefully the steps which will allow maximum use of all (not only some) potential motivational sources to develop the market economy mechanism to its full extent.

The motivating factor of privatization can obviously be introduced most quickly in the area of small enterprises, where ownership and management are not separated, and where the motivation toward successful enterprise is therefore strongest. A portion of the citizen's savings forms a capital reservoir for selling a part of the denationalized sector (the smaller production, commercial, restaurant, maintenance, etc., places of business) to individuals or cooperatives. The institution of leasing with a minimal capital outlay can substantially expand this area of privatization.

In the case of large-scale enterprises, even if the privatization process is based on already executed denationalization, one must realistically accept the fact that denationalized but not privatized enterprises will predominate for a number of years. It is certainly correct and necessary for the new laws to include a wide range of forms of privatized enterprises (joint-stock companies,

companies with limited liability, limited partnerships, etc.). No less important, in fact much more cogent, however, is that we work out how to ensure that, in the long term, the predominant type of denationalized but not privatized enterprise will also be a market enterprise to the greatest degree possible, and its business activities will be similar to those of a private market enterprise.

The debate on the Law on State Enterprise, which regulates the status of denationalized but not yet privatized enterprises, showed that attention was concentrated primarily on secondary matters: whether to continue to call it a state, or a public, or a state joint-stock company; who and to what extent should appoint the management agency and the manager (apparently there is already a unanimous negative attitude to the question of mass election of the manager), etc. But the crucial economic question of the true commercialization of denationalized enterprises—the delimitation of initial capitalization, and the independence of these enterprises—was not dealt with. (Yet I consider it to be a matter of course that the "package" of system-creating changes, reestablishing the function of the market, will be realized simultaneously with denationalization.)

The manner of so-called delimitation, through which it is accomplished, is the cause of enormous distortion of the process of denationalization and the origination of new "demonopolized" enterprises. It is primarily production units with sound capital assets that strive for independence, and the state is dumped with those units, whose capital assets have been exhausted, at whose cost reallocation was realized during the past decades, and which will continue to be connected to the state budget through subsidies. When basic assets are being calculated, no one includes the value of land, and newly established enterprises are endowed with assets gratis, irrespective of whether they receive a little or a lot. Such unequal initial capitalization distorts the picture of the true efficiency of new enterprises right from the start, it guarantees easy profits for some, and condemns others to long-term unprofitability.

If one desires the successful commercialization of newly established denationalized enterprises, it is wrong to limit their initial capitalization monetarily (the time limit may be defined by the period during which the volume of interest paid will equal the balance of the initial capital). The reasons for this interest are:

1. To contribute to the equalization of the initial capitalization conditions of denationalized enterprises, without using the traditional manner of reallocation (e.g., through tax deductions) that does not conform to the market. It is not only a question of "rich" enterprises paying more than "poor" ones, but also a question of the others being able to supplement their own insufficient capital through credit, under the same conditions as the "rich" enterprises use their own capital. Also the decisionmaking on becoming independent will not be as simple as before.



2. Interest from initial capital creates an objective criterion for its minimal effectiveness that conforms with the market. Only a denationalized enterprise, able to handle its initial capital in its business transactions in such a way that its proceeds (profit) will be higher than the interest, will attain profit for itself, whether it is to be used for further development, or for additional remuneration for employees (including the manager). If it does not succeed in doing this, the administration of the resources must instigate legal consolidation procedures with a resulting change in management that will be able to set the enterprise back on its feet within the stipulated time, or it must agree to its liquidation due to unprofitability.

3. The concentration of this interest from the capital of denationalized (commercialized) enterprises in the Public Asset Fund will create a solid foundation for self-financing the restructuring of the economy on the basis of consolidation, liquidation, and retraining programs, without any demands on the state budget. The separation of the state sector from the state budget will thus be fully executed. Under these circumstances there is no reason to establish any special fund for structural changes financed from the state budget.

#### We Need Good Managers

A further crucial prerequisite for the successful commercialization of denationalized enterprises is to ensure the quality of the management that implements the ownership rights in practice. So far, in this connection, all attention has been concentrated on the creation and composition of the board of directors of the denationalized enterprises. I do not want to minimize this action, but no one will come up with a perfect solution (even private joint-stock companies, particularly those with a greater dispersion of shares, have plenty of problems in this connection). But whatever the form or relationship the influence of the administration of the Public Asset Fund and the influence of the group of the enterprise's employees have on the formation of the board of directors, it is certain that in a truly commercialized denationalized enterprise none of them should have interests beyond putting a manager with the best possible qualities in charge of the performance of the business function. This means a manager capable of reproducing the initial capital of the enterprise on an extended foundation, since in a commercialized enterprise the capital returns are the basic, if not the sole, measure of management's success.

Objections pointing out the risk that the enterprise will concentrate only on short-term benefits, especially on maximizing wages, are attributable to the stereotypes of noncommercialized enterprises managed through a central plan, which is trying to "knock out" of the state the largest possible allocation of production factors, including wages. For a commercialized enterprise, however, the laws of the normal, not the inverted mini-max apply. A commercialized enterprise, which would operate that way, would very quickly come under the

hammer, since it could not obtain the resources for possible wage increases through higher allocations from the state, but solely through its real performance, confirmed by the market.

The interest in the highest quality of management can also be supported by legally stipulating the prerequisite of public competition, which would precede the actual act of conferring the business function.

The real problem during the next few years is quite different: one must have at one's disposal a large enough number of managers qualified to transact business activities under market conditions. In the former system, they could not acquire and expand such qualifications. Since 17 November such problems have been "solved" practically only on the level of "moral prerequisites," which is merely the old practice of cadre prerequisites, seen from a different perspective. An extensive program of searching for talented managers and their appropriate professional training must necessarily become a fundamental element of the denationalization of the former state sector, so that within one to two years there will really be something to choose from. At this time, this is being done on the isolated and chance initiative of a few advisory institutions. However, the wide variety of problems issuing from the transition of the whole nationalized sector to a market economy requires the extensive, organized action of the center.

#### Footnotes

1. See Z. Sulc: Erhardova reforma [Erhard's Reform], Central Economic Research Institute, 1990.

2. Some authors speak about denationalization. Even if the name is a matter of choice, I believe that de-etatization describes the process more closely. Separation from the state does not necessarily mean privatization, the transfer of ownership to physical persons. However, the state is also no longer the owner. Separated assets, concentrated into a special fund, are no longer manipulated by the state plan and budget. The temporary administration of this fund should be considered only as a parliamentary institution entrusted by the society (nation) to realize the transition of the nationalized sector to a money market economy, and a part of this transition is privatization of a certain part of this sector. De-etatization, therefore, is really "transforming the state-owned sector into public domain" (nationalization). Therefore, talking about denationalization is somewhat misleading.

3. See J. Zlamal: (Re)privatization, Parts I and II. FMF [Federal Ministry of Finance] Information Study, 1988 and 1989.

#### Wage-Regulating Changes Outlined

90CH0287A Prague PRACE A MZDA in Czech Jun 90 pp 21-24

[Article by Jaroslav Marhoul: "Regulation of Accrued Wages in Enterprises Beginning in 1990"]

[Text] On 1 January of this year considerable changes have been made in the regulation of accrued wages in



enterprises. Detailed rules are contained in the appropriate decree of the Federal Ministry of Labor and Social Affairs No. 145/1989, Collection of CSR Laws (published with an expert commentary in PRACE A MZDA in January 1990). This is a most significant document that directly influences the conditions for creating and using resources for remuneration. It is therefore essential that the trade union agencies in enterprises and their commissions on wages also become well acquainted with it. It will enable them to handle expertly and responsibly their tasks connected with the preparation of the wage portion of the collective contracts and perform routine tasks connected with the implementation of the right to collaborate, make joint decisions, and exercise control in matters concerning wages, as they are entrusted to do by the applicable statutes of the 4th all-trade-union congress (see resolution in the appendix to Law No. 37/1959) on the provision of Paragraph 122 of the Labor Code).

### Of What Do Basic Changes Consist?

The decree of the Federal Ministry of Labor and Social Affairs is quite extensive and its substance relatively difficult even for qualified experts. Therefore, to provide basic orientation for the broader trade union activists, I am presenting the main features and changes which have been made in the formation and regulation of accrued wages since the beginning of this year. The most substantive change is that accrued wages in enterprises are formed on the basis of long-term norms and regulations, uniform for branches (sectors), and linked to achieved efficiency. The appropriate rules then create conditions for a differentiated development of wages according to this determining approach, based on regulating:

- a) wages and other personal costs (WOPC);
- b) wages paid out of profits, i.e., special compensation fund (SCF).

Individual rules for the formation and use of the special compensation fund consist in:

- mandatory increase of the planned amount of wages to be paid out of the special compensation fund (by transferring part of the cost wages) so that the share of the SCF in 1990 will be at least 10 percent (or seven percent) of the overall accrued wages and will gradually increase further according to the growth of profits;
- means in the special compensation fund in enterprises will be created only if there is actually a profit;
- formation of the special compensation fund will be influenced by the tax on profit;
- mandatory payments will be made from the special compensation fund for profit sharing, project completion bonuses, and rewards to enterprise directors, and all kinds of rewards according to the decree of the Federal Ministry of Labor and Social Affairs on

strengthening the authority and responsibility of enterprises in implementing the wage forms;

- according to the organization's decision, bonuses or their part will also be paid to other workers out of the SCF.

Increasing the share of wages that must be paid out of the special compensation fund and the fact that the resources in the SCF for paying wages are created in linkage to the achieved profit confirm how the formation of accrued wages in enterprises is being defined more accurately and tightened up. And in practice that is supposed to lead to a greater differentiation of wages, subject to the economic efficiency of each enterprise. If until now not quite three percent of the overall average volume of wages depended on the profitability of the enterprise, today it is already seven to 10 percent. And therefore the enterprises, as long as they do not wish to lower significantly the present amount of bonuses for the employees, can pay some bonuses or part of them out of the special compensation fund. That means that payment of the bonuses depends on whether the necessary accrued wages are available in the special compensation fund. It also means that in the economically successful enterprises wages will grow faster. Of course, where few accrued wages or even none at all are created in the special compensation fund, the total accrued wages will decline, as much as seven to 10 percent compared to last year. The individual workers then can be entitled only to the guaranteed wage components according to Chapter 113, paragraph 4 of the labor code, i.e., the basic wage (wage tariff), personal rating, and bonuses paid out of the wage and other personal costs, the entitlement to which is based on the rules issued by the enterprise in agreement with the appropriate trade union agency.

Cost of wages and other personal costs, to ensure their development in harmony with the established ratios for consuming the national income and with the economic equilibrium, are regulated by means of normative ratios.

### Four Basic Forms of Regulating

The appropriate decree of the Federal Ministry of Labor and Social Affairs assumes the application of four basic forms of regulating wages and other personal costs in the economic sphere.

They are:

Form No. 1—regulating WOPC in relation to the amount of net production; it is based on the normative which expresses the percentage share of the increase of WOPC in the increase of net production (or on the normative of reduction of the cost of labor of net production). For example, in setting a normative of 25 percent, it is possible to increase WOPC by Kcs25 for every Kcs100 of the increase of net production. The same ratio applies to a decrease.

Form No. 2—regulating WOPC by a system of tariff wages; it is based on the volume of tariff wages as the

regulatory base, on determining its maximum increase, and on a firm share of the above-tariff components of wages (tariff wages do not include extra earnings for tasks and overtime pay). This method makes it possible to increase efficiency of employment and stimulate organizations to save on the number of workers by increasing the regulating base by a half of the achieved savings in labor costs. It is not tied to any quantitative indicator and guarantees 90 percent of earnings; the remaining portion depends on the formation of the SCF.

Form No. 3—regulating WOPC by setting its share in accrued wages; it is based on the regulation of the extent of wages as part of costs by a uniformly established share of WOPC in the total accrued wages (maximum share 90 percent). It is administratively the least demanding and moreover is in accord with the goals of the economic reform. It is applied in a smaller circle of enterprises working under highly demanding conditions, with high profitability and labor productivity, and able to compete at home as well as abroad.

Form No. 4—regulating WOPC by special methods; it assumes a percentage increase or decrease of the starting base of WOPC according to the output of the state plan, or even a mandatory limit of WOPC at the suggestion of the founder in agreement with the State Planning Commission and the Federal Ministry of Labor and Social Affairs. This system can be used by organizations with a consolidating program.

The method (form) of regulating WOPC is determined for enterprises of individual branches or sectors by the uniformly mandatory output of the state plan. In question are the following outputs, of which at the most two can be applied in an organization:

- normativ for distributing accrued wages to WOPC and SCF in the ratio of 90:10 or 93:7;
- percentage share of the absolute increase of WOPC in the absolute increase of net production (or decline of the cost of labor)—Form No. 1;
- percentage increase of WOPC in conformity with the regulatory base—Form No. 2;
- percentage increase or decrease of WOPC—Form No. 4.

In cases where the state plan assigns for a branch or sector tasks for more than one way of regulating WOPC, the enterprise can choose on its own the one which best suits its conditions: It cannot, however, change it during the course of the year.

Besides the above-mentioned principles, the decree on regulating accrued wages contains some other provisions which should be pointed out.

It concerns, for example, the provision in Chapter 17, according to which an organization can transfer part of its resources in the special compensation fund to a special compensation fund of another organization, but

only with a prior consent of the appropriate enterprise trade union agency. Further, there is the provision in Chapter 18, which states that the collective contract must establish the extent of resources for the individual components of wages paid out of the special compensation fund, the sequence and method of setting the amount of those components in case of insufficient resources in this fund under the penalty of being prohibited to use this fund. Also significant is the provision in Chapter 20, which makes it possible to solve hardship cases and remove inconsistencies when ascertaining the allowable volume of accrued wages in special cases which cannot be directly resolved within the system according to the decree.

### What Are Regulatory Levies?

To the decree on regulating accrued wages is directly linked the order of the CSSR Government of 21 December 1989 on regulatory levies in the wage area. (Newsletter of the Revolutionary Trade Union Movement No. 3/1990).

It reflects the objective of the government to maintain the trend in wages within tolerable limits, so that the undesirable role of wages as a coefficient of trade imbalance and inflationary pressures would be limited as much as possible.

The above-mentioned government decree introduces two kinds of regulatory levies:

- a) for exceeding wages and other personal costs, according to which enterprises will pay for each koruna in excess of WOPC a regulatory levy in the amount of Kcs2;
- b) for increase in accrued wages, which will be levied on an organization if in a given year it exceeds the determined increase in the volume of accrued wages, in the amount of three percent.

The rate of the regulatory levy for exceeding the three-percent base by one percent is 50 percent; by two percent, 100 percent; by three percent, 150 percent; and above three percent, by 200 percent of the excess amount.

To that must be added that the regulatory levy for an increase of accrued wages applies only to their disbursement above the established directive in the current year. It means that an enterprise will not lose its accrued wages in the special compensation fund which it transfers to the following year, to the reserve fund or to other funds, and they will not be encumbered by the levy.

It would be useful for the appropriate enterprise trade union agencies and their wage activist to become more thoroughly familiar with the principles of the Federal Ministry of Labor and Social Affairs decree on regulating

accrued wages and with the order of the CSSR Government on regulatory levies in the wage area. It is important for the quality of their joint decisionmaking, cooperation, and control in the wage sector.

### **Realistic View of Agricultural Problems Given**

*90CH0183A Prague ZEMEDELSKE NOVINY  
(supplement) in Czech 30 May 90 pp 1, 4*

[Article by Ivan Miksatko, JZD Sebirov, Okres Tabor:  
"Our Agriculture Without Rose-Colored Glasses"]

[Text] During the past months, many programs and articles assessing Czechoslovak agriculture have appeared in the mass media. Specific actions are being developed by the Federal Government, together with the Economic Council, the CR [Czech Republic] Minister of Agriculture, and his Economic Council. But many agricultural enterprises—the JZD [Unified Agricultural Cooperatives], state farms, and private farmers—do not have a true understanding of the real efficiency of agricultural production in the CSFR, or our ability to realize our status among European food producers. Even the presentation by some MZVzCR [Ministry of Agriculture and Food of the Czech Republic] representatives during a recent training session of employees of regional MZVzCR departments were also "not really in the picture".

When evaluating agriculture in the individual states, consideration must be given to many factors that interact and influence one another as, for example, healthy nutrition for the citizens through an untainted food supply, agriculture's influence on the environment and formation of the landscape, acreage of agricultural land per citizen, natural and climatic conditions, plowing of agricultural land, the structure of domestic food consumption, the share of domestic fodder production in the total fodder consumption in the state, the share of food exports in the total production, the percentage of agricultural workers of the total economically active population, the level of gross national product from agriculture per citizen of the state, and the level of gross national product from agriculture per citizen economically active in agriculture.

Czechoslovak agriculture does not differ to any great extent from the overall poor state of our national economy and Czechoslovakia's situation in all spheres of life altogether. Agriculture's poor economic efficiency, the production of food that is often unhealthy, and the negative effect on the environment are a sad, and at the same time alarming, legacy from the postwar development of our country.

### **Comparison With the World**

The gradual full implementation of general economic laws, and the qualified actions of the state will ensure the correct function of agriculture in the future. In the CSFR about 6.8 million hectares of land are used for agricultural purposes. The crop production output per hectare

is on average 40 percent lower than in developed countries. For example, potatoes are 80 percent lower, permanent grassy areas 50 percent, fodder products on arable land 40 percent, sugar beet 40 percent, cereals 20 percent, etc. More than 80 percent of our agricultural land resources are used to produce fodder. In the CSFR we attain only 70 percent of the level of developed countries in dairy products, and the weight increase of raised cattle and pigs is about 85 percent lower on average. Our agriculture's total loss in market production, expressed in European producers' prices, amounts to more than \$4 billion annually. Expressing our higher expenses in numbers is very difficult. However, we can at least partially compare some of our cost items.

The largest difference is in labor productivity. In the developed countries it is many times higher than in the CSFR in all types of agricultural production. The sharpest difference is in direct labor productivity in livestock production, particularly in dairy products. The largest European farms and farms in the United States reach an annual production of 500,000 to one million liters of milk per worker, i.e., about 10 to 20 times more than one worker produces in the CSFR. Consumption of crude oil per hectare in about 150 liters per year here, whereas it is about 100 liters in developed countries. Considering the agricultural production which, as mentioned above, is 40 percent lower, this means that the consumption of crude oil per kg of agricultural production is more than double that of developed countries. This also means that overall costs connected with the use of mechanized equipment are higher here.

The consumption of industrial fertilizers per hectare in the CSFR is approximately the same as the average in developed countries (there are large differences between the individual countries), i.e., approximately 250 kg of pure nutrients per hectare. With a 7.5 ton yield of plant biomass solids from one hectare in the CSFR and 10.5 tons in developed countries, the result is a consumption of 33 kg of pure nutrients, that is to say 24 kg of pure nutrients per ton of plant biomass solids. This means that more than one-fourth of all industrial fertilizers applied in the CSFR endangers the ground and surface waters, salinifies the topsoil and subsoil, lowers the quality of crops and thus of milk and meat. The consumption of industrial fertilizer per production unit of plant biomass therefore means additional economic losses. But in this case, what is even more serious, is the overall effect on the health of the population and the environment. It is also a fact that agricultural enterprises in the past were indirectly and directly forced to purchase a prescribed amount of industrial fertilizers. An immediate drop in the consumption of industrial fertilizers to 200 kg per hectare would mean a drop of about 20-30 percent in food production in the CSFR, due to the present devastated state of the soil.

### **Where Should One Look for the Causes?**

The following factors, in particular, caused the present condition of the soil and the level of output compared to

developed countries: the alienation of agricultural land, the absence of any existential motivational pressure, the loss of professionalism, the encrustation of the soil, the insufficient use of green manure crops and plowing under straw, leaves, etc., the disproportionate loss of solids and nutrients from farm manure, nutrition through industrial fertilizers in regard to quality, quantity, and time, chemical protection in regard to quality, quantity, and time, erosion, and industrial slumps.

In the CSFR we do not have a single agricultural enterprise with labor productivity on a par with developed European agriculture. However, we have several JZD's, which, through professional attitudes, managed to overcome the directive system of management and the impotence of the machine and chemical industries, and managed to achieve better results in the condition of the land resources and output of crop production than is the average in developed European countries. In Czechoslovakia there are still many wrong attitudes that can hinder necessary changes and the creation of new conceptual directions in the coming period. The following are some of these "undying axioms and limits": the necessity to breed cattle for the fertility of the soil, the scarcity of grain in the Republic, the necessity to breed Simmental stock in order to ensure the rate of meat consumption and dairy production when there is a scarcity of fodder.

The territory of the CSFR lies on the 50 degree northern line of latitude. This line of latitude also runs close to the U.S.-Canadian border, where, in the Canadian provinces of Saskatchewan, Alberta, and Manitoba, and the American states of North Dakota, Montana, and Washington, there are hundreds of farms specializing exclusively in crop production. All the straw from grains, maize, and leguminous crops is plowed under, and green manure crops are cultivated to be plowed under. There are also farms that exclusively produce crops on the 50th parallel in the FRG. The assertion that cattle must be raised as a necessary condition for the fertility of arable land is not rational in the CSFR, either. Arable lands do not need cattle, but they do need to be managed on a level commensurate with current world expertise.

#### Hectares, Lost to Fodder

Currently in the CSFR we need 250 thousand hectares of agricultural land more per 7 billion kg of dairy products for milk cows that produce 4,000 kg of milk, than we would need for a production of 6,000 kg attained in several European countries. We lose about an equal volume in the low weight increase of other animals. This total of 500 thousand ha is uselessly "lost to fodder" through conservational fodder subsidies. Similarly, every kilogram of beef means the use of twice as much agricultural land than one kg of pork. The vicious circle, caused by the structure of meat consumption, dairy production primarily from Simmental milk cows, and the scarcity of grain and feed in general, even disturbs the effect of the value relationships and functions of general economic laws. The annual consumption of beef and pork per citizen in the FRG and in the CSFR during

the past few years could teach us some valuable lessons. The consumption of beef is 22 kg in the FRG, and 30 kg in the CSFR, and consumption of pork is 60 kg in the FRG and 45 kg in the CSFR. Yet the price of production in the FRG is 75 percent higher per kg of beef and the consumer's price 40 percent higher than for pork. In the CSFR the producer's price for beef is 100 percent higher and the consumer's price 10 percent lower than for pork.

Meat production in the CSFR (fattened cattle and fattened pigs) is confirmed by the following data. If we take Czech spotted cattle and hybrid cattle, and assume an overall weight increase of 530 kg (from 50 to 580 kg) in 706 days of fattening (daily average 0.75 kg), we need 0.31 ha of agricultural land for the production of grain and 0.65 ha for the production of bulk fodder, in other words, a total of 0.96 ha to fatten one unit. Therefore, meat production from one hectare of arable land is 310 kg. In the case of fattened pigs, if we assume an overall weight increase of 103 kg (from 17 to 120 kg) in 172 days (daily average 0.60 kg), and the arable land necessary for raising suckling pigs and other elements of fodder mixtures, we need 0.138 ha to fatten one unit. Thus the production from one hectare of arable land is 602 kg.

Returns from 1 hectare of arable land in \$U.S.	Fattened pigs	Fattened cattle
Slaughter weight in kg	120	580
Yield in percent	[x 0.81] over [97.2]	[x 0.56] over [325]
Weight of meat in kg price per kg in U.S. dollars	[x 1.8] over [175]	[x 3.1] over [1008]
Price of suckling pig, calf	[- 50] over [125]	[- 200] over [808]
Conversion to one hectare	[x 8.85] over [1110USD/ha] (1:0.113)	[x 1.04] over [840 \$/ha]

The production of pork per hectare is twice as high as that of beef. Returns from one hectare of arable land, expressed in European producers' prices, are 30 percent higher "despite the fattening of pigs." A comparison of additional costs in fattening pigs and fattening cattle—e.g., write-offs for buildings and technological facilities for animals, write-offs for fodder storage structures, consumption of energy, consumption of direct labor for tending the animals, the need for direct labor for fodder production and handling—further increases the difference in returns from one hectare and makes pork production even more advantageous. If we make the same calculations with weight gain achieved and output per hectare in developed European countries, the production of pork per hectare is 80 percent higher than fattening cattle, but the returns from one hectare are the same.

#### Prices and Motivation

From the preceding deliberations, it is apparent that the proposed regulation of pork and beef retail prices in the CSFR is absolutely correct. It is very clear that the

purchase prices of meat must be fixed for agricultural producers, and that the motivation of the consumer and producer must be observed in the following period. The 1:1.5 ratio of consumption of beef to pork per citizen must be corrected, at the very least, to 1:2.5-3 (the current state in the FRG). We are by no means as "wealthy," and yet we consume such a large amount of extremely "expensive" beef. However, from the point of view of health, it will be necessary gradually to reduce the slaughter weight of pigs to less than 100 kg. Considering the expected temporary partial drop in the standard of living, an increase in the consumption of poultry, where production from one hectare is even higher than for pork can be expected. An increase in the consumption of poultry will therefore be beneficial not only for our "pockets" but also for the health of our consumers.

During the coming years we can expect some trends in our agriculture that will be caused by the normal function of general economic laws and the qualified actions of the state. Purchase prices for Czechoslovak agricultural producers will undergo a number of changes in most products. To begin with, they will have to correspond more closely with domestic costs, and gradually they will draw closer to the prices of European producers (these prices, for political and economic reasons, often differ greatly for the same products from country to country). Allocation of individual sectors of agricultural production in the framework of the Republic will be more in keeping with the natural conditions. There will be an expansion of areas for grain, leguminous crops, maize, sugar beet, and potatoes. The production of proteinous fodder will increase, particularly in soybean, peas, sugar beet crops, and apparently triticale will get the highest share among the grains. The tool used to increase the fertility of the soil will become winter barley and subsequently sown intermediate crops for green manure. Areas of winter barley in the CSFR should thus increase to about 200-300 percent of the present situation, despite the lower quality of the winter barley grains. The mountain production area and the worse potato areas will record a decline in agricultural land plowed and a decline in grain areas. All areas of dairy production will be ensured by Holstein and Holstein-Frisian stock. The organization of the production of bulk fodder will be totally changed. In respect to breeding cattle, a transition will be made to "frozen embryo breeding" in open stalls for all categories and in all production areas. The production of beef, excluding marketing dairy products, will expand in districts with permanent grass pastures, where there may even be a decrease in the natural products from a unit of area, but the essentially higher productivity of direct labor will ensure increased profit creation not only per worker, but per unit of area. The beef from fattened cattle will, however, be very expensive for the consumer. On the whole, the hired labor force will also become more expensive in the Czechoslovak economy, and equipment and technology will become cheaper.

A very complex, urgent, and much-debated problem is the right of ownership and use of land, and the optimal

size of an agricultural enterprise. Personally, I believe that all agricultural functions can best be ensured by agricultural enterprises that are 300-1,000 hectares in size, and are privately owned by individuals who employ several hired hands. It would be a great mistake to parcel out state farms into small holdings. In the United States more than 90 percent of agricultural production is supplied by farms of more than 100 hectares, and therefore the cheapest food in the world is produced in the United States. Even the present JZD's have the basic prerequisites for great prosperity, i.e., the size of the enterprise. However, the motivation of all members of the cooperative must be changed.

## GERMAN DEMOCRATIC REPUBLIC

### Basic Aspects of Proposed Tax Reform Considered

90GE0240A East Berlin FINANZWIRTSCHAFT  
in German Jun 90 pp 1-3

[Article by Dr. Heinz Feurich, director of the Department of Property Tax and Property Transfer Tax, GDR Ministry of Finance: "Concerning Some Basic Questions of the Development of the GDR's Tax System"]

[Text] The draft treaty on the creation of a currency, economic and social union of the two German states also directly addresses issues concerning the organization of the GDR tax system. These issues are thereby squarely presented to the public, because, in the final analysis, they touch upon the economic interests of each individual, each enterprise, local authority and the state as a whole. At the same time, for many people the establishment of a comprehensive tax system is linked with the hope for a promising and permanent job.

That is quite correct, because it takes account of the place value of taxes in market economic conditions. This arises on the one hand from the fact that, in a market economy, taxes represent the main source of national and local government revenues for financing their tasks in the interests of all citizens. On the other hand, they are increasingly a tool for the achievement of economic, growth and sociopolitical goals.

The old GDR tax system would have been quite unable to handle the definite transition from an economy governed by administrative fiat, from a planned economy, to a social market economy, as provided by the draft state treaty. The following are this latter's chief deficiencies:

- The organization of tax rates and the instructions for calculating profits for the purpose of taxation do not promote entrepreneurial initiative and the will to work and, therefore, fail to guarantee the investment incentives imperative to ensure competitiveness.
- The exclusion of the state owned economy (the largest sector) from the tax system results in the unequal

economic treatment of private and cooperative enterprises and, therefore, to the distortion of competition.

- The differences in taxes imposed within and between various groups of the public violates the fundamental principle of the equality of taxes for all citizens and enterprises.
- The objectivity of tax decisions and, therefore, any constitutionality in the field of taxes, is impaired by a plethora of "may" instructions as well as by the fact that the same tax administrative body decides on appeals against tax assessments—and this means the lack of an independent financial jurisdiction.

Abolition of these defects requires the fundamental reform of the tax system. Tax reform must aim at the organization of a tax system that is based on the principles of the legal state and calls for as well as encourages performance and initiative. The interests of the individual and the state intersect at this point. Just as the citizen or the enterprise is interested in the lowest possible taxation, the state, for its part, would prefer to obtain the largest possible revenues. However, in the long run large revenues cannot be obtained by the highest possible taxes but only by the organization of tax rates in such a manner as to ultimately facilitate performance growth.

As we all know, the tax amendment law of 6 March 1990 was the first move in this direction by significantly lowering the earlier and unduly high and restrictive tax rates governing income and corporation taxes. That, though, is by no means sufficient to do justice to the aforementioned requirements.

It would therefore be desirable by 1992 to establish a tax system oriented on the one hand to the experiences gained in the FRG and other Western EEC members and, on the other, simple and comprehensible for the general public. In the FRG, especially, this proposal was linked with the hope that it might generate the impetus for reforming the Federal German tax law also. No doubt this is a tempting and by no means unrealistic idea.

However, the situation has changed in view of the rapid political developments in the GDR—the fastest possible introduction of the D-mark and economic and political union as demanded by a majority of the voters in the March 1990 elections. In these circumstances, the organization of an independent GDR tax system is both illusory and unrealistic.

Article 30 and 31 of the draft state treaty between the two German states, taken in conjunction with Attachment IV, therefore, provides for the gradual adjustment of GDR tax regulations to those in the FRG. This is due primarily to two reasons:

1. It is not possible to have two different tax systems in a united economic and currency region, such as is to be created as of 1 July 1990. Such differences would be bound to distort competition and negate the principle of

the equality of opportunity. Failure to introduce insurance systems in the GDR, for example, might cause Federal German insurance corporations to relocate their headquarters to the GDR and thereby obtain advantages vis-a-vis their market competitors.

2. Pragmatic considerations also favor adjustment. Due to the brevity of the time available and the multitude of tasks to be accomplished, we are dependent on aid and assistance from the FRG. This does not only and exclusively apply to the drafting of legal regulations, it also involves their application by the individual and enterprises as well as the establishment of a well functioning tax administration. It is most important, for example, for the staffs of the new 120 or so tax offices to be quickly trained by personnel from federal and land finance ministries. GDR enterprises, too, will be trained by Federal German employer federations and specialists. Moreover, once the tax systems are the same, it will be possible also to adopt the same automated tax procedures, forms, commentaries, and so on.

In these circumstances, the only option was that of taking over the Federal German tax law as completely as possible. At the same time we are perfectly well aware of the objections and problems involved in FRG taxation, which are frequently cited by Federal German employer federations and economists. On the one hand, these refer to the complexity of the regulations, claimed to be impenetrable to the majority of individual taxpayers and enterprises, who are consequently unable to fully cope with them. On the other hand, we appreciate that the relatively high taxation on Federal German enterprises does not offer the most favorable conditions for foreign investors wishing to locate in the FRG.

In view of its already very high standard, this may not be too serious for the Federal German economy. As far as the GDR is concerned, though, it is vital to set a taxation framework attractive to foreign capital and to thereby make the GDR a desirable investment location. Without foreign capital it will be impossible to even approximately satisfy the enormous amounts of money needed to create an internationally competitive economy in the GDR. We are all agreed on that point. However, in a future united economic region, this issue neither can nor should be decided without the other partner. In future, therefore, the approaches to the changes necessary must be made jointly, according to the principle of cooperation rather than conflict.

Moreover, despite any critical objections to the Federal German tax law, we must obviously not forget that, despite some indisputable defects, it encourages both performance and growth while guaranteeing a great deal of equity. This has helped the Federal Republic to become one of the world's strongest economic powers.

The intended adjustment of GDR taxation law to that of the FRG does not equate automatic acceptance. The draft state treaty stipulates that the GDR may deviate from Federal German laws and decrees if the facts of the

matter so dictate, and provided it is done with the agreement of the Federal Government. This provision is mindful of those cases where the needed prerequisites are still lacking in the GDR. It applies especially to the problem of taxes relating to standard values—in other words property tax, trading capital tax, and land tax. As we all know, state owned enterprises have not so far been subject to standard value assessment, whether with respect to land or buildings. Transitional regulations will be needed here, and these still await preparation and cannot take effect before 1 January 1991. The same applies to taxation in the highly sensitive area of agriculture, where the particular structure of farm enterprises in the GDR must be taken into account so as to ensure equality of opportunity. Here also we need a definite framework based on political decisions.

In the meantime, the new tax regulations, to take effect at the start of the currency union, have already been submitted to the People's Chamber for enactment. The value added tax and special excise duties as well as the insurance and fire safety taxes and the stamp duty are taxes quite new to the GDR. In this case it was obviously best to entirely adopt Federal German regulations.

The same applies to the tax rules on the ascertainment of profits. In future all those expenditures directly and causally related to business earnings or activities will generally be admitted as correct by the tax authorities. The new version of the tax code signifies a definite step toward ensuring state legality in the field of taxation. The comprehensive regulation of rights and duties of taxpayers and tax agencies as well as the verifiability of tax assessments issued by the future tax offices by independent taxation courts will help the implementation of order and legality in this important fiscal field.

The press and other media will report the details of the new regulations.

The most important task for the fiscal organs will now be to see to it that the appropriate amount of taxes, as stipulated in the law, flows to the various budgets via the tax offices.

## HUNGARY

### National Consumption Structure Analyzed

#### Declining Consumption

90CH0309A Budapest FIGYELO in Hungarian  
21 Jun 90 p 9

[Article by Dr. Imre Boc: "Consumption Structure; 30-Percent Inflation"]

[Text] They have always blamed the population: It consumes more than what it produces. And we have always suspected that this just simply was not so. Back then we had no opportunities to challenge anyone to a

debate but now it appears virtually indisputable that consumption this year will continue to decline.

As a result of accelerating inflation, in 1988 popular consumption had dropped, in 1989 it stagnated, and this year we can expect further declines. Between 1970 and 1990, with the exception of a few years, popular consumption has always lagged behind the rate of growth in the GDP.

This decline in consumption has been combined with some drastic structural changes, and widening differences among certain social strata. The decline in the standard of living has been the most significant among large groups of medium-income earners with only limited involvement in the second economy; these are also the people who continue to be threatened by the specter of growing unemployment. For now this so-called middle stratum is doing everything it can to resist having to cut its consumption, and to protect against inflation.

Among small agricultural producers, production for self-consumption is becoming a more and more characteristic practice. In part, this reflects a desire on the part of families to become self-sufficient, but it is also an indication of a rational decision on the part of city consumers to bypass the retail sector and procure some of their basic food stuffs for less, directly from the producers (e.g., via hog raising, fruit picking and other arrangements). Other forms of self-sufficiency are also gaining popularity; home sewing, for example, has been boosting the demand for textiles, while simultaneously reducing the demand for ready-made articles, especially children's clothes. Also on the rise, particularly in the area of children's clothes and toys, is the demand for used articles.

On the other end of the spectrum, the number and influence of higher income earners and businessmen in the economy are also increasing. By being able to pass on virtually all price increases, so far this stratum has had little difficulty warding off the effects of inflation, which in itself has led to a polarization of demand and changes in our structure of consumption and foreign trade. The demand by low-income strata for inexpensive articles is rapidly growing, as is the interest of high-income earners in purchasing goods that satisfy luxury needs.

Looking at the situation in more detail: The ratio of food purchases is expected to increase—as within the consumption structure these constitute the least flexible group of commodities—although it may be seen as a warning signal that the demand for meat and dairy products has been rapidly declining. Retail sales of carcass meat in the first quarter have dropped by 30-35 percent (although it is true that last year's high-volume purchases have also contributed to the decline in demand). All things considered, our prognosis for the year predicts a three to four percent drop in food purchases. The decline in clothing sales may end up as great as six to seven percent, and the drop in new housing



construction may cause the demand for building materials to be off by as much as eight to ten percent compared with last year's levels.

Also certain to affect retail trade is the fact that this year we will probably not see the kind of foreign buying stampede by Hungarians that we had last year; this purchasing power will also make itself felt at home. What distorts our retail statistics is the fact that they do not include our expanding CEMA markets, and that private trade is probably not factored in to the full extent of its total volume. According to current estimates, the more than 13 percent decline registered in the hospitality industry for the first four months of the year, is actually probably only three to four percent because of dynamic increases in the business volume of private restaurants.

**Table 1**  
**Enterprise Projections Concerning**  
**the Development of Retail Prices**

Name	1989		Expected in 1990
	January Enterprise Projections	Actual	
	Price Index (Previous Year = 100)		
Retail food	117.8	115.8	122.0
Retail clothing	110.5	118.1	118.7
Retail miscellaneous industrial goods	113.7	120.0	119.0
Overall retail	115.6	118.0	119.8

This year's inflation rate is expected to significantly outpace last year's, potentially reaching as high as 25-30 percent. Contributing to this are some unprecedentedly strong inflationary expectations, which in themselves are inflation-fueling factors.

The development of the consumer price index has been affected partly by this year's price increases, and partly by the price levels and price level increases of the previous—base—period. Hence, in 1989, price levels had generally risen during the year in view of the fact that much of the inflationary effects of 1988 had spilled over into the first months of 1989. This year's accelerated inflation, however, is evident not only from the high starting price index, but also from the significantly stepped-up rate of monthly price increases.

In past years, the price increases registered in certain categories of expenditures were not too discrepant; in 1990, however, at least so far, the prices of certain key food items, from the point of view of consumption, have risen dramatically. This is due to the fact that in moving to free most food prices, the government has chosen to leave the existing monopolistic purchasing and distribution system virtually intact. Profiting from such exclusive price increases have been the budget, because of a decline in subsidies, and the purchasing-marketing system. The losers, on the other hand, have been the

producers and the consumers. Indicative of the limits of the inflation-controlling effects of the market is the fact that producers, notably including enterprises and monopolistic organizations that have retained their old operating structure, still continue to be able to offset revenue losses due to declining demand by cutting production and raising prices. (The 4 June price increases in the alcohol industry, and the huge hike in the price of Caola which basically determines the sales volume of household chemicals and cosmetics, all appear to be moves of this nature.) In view of the uncertainties affecting efforts to limit income spending and to pursue a restrictive monetary policy, particularly in the area of food prices, combined with our one-sided market conditions, there is no risk in projecting a 25-30 percent inflation rate by the end of the year.

### FY 1990 Expectations

90CH0309B Budapest FIGYELO in Hungarian  
21 Jun 90 p 9

[Article by I. B.: "Competition for Customers?"]

[Text] Now that the shrinking circle of data suppliers and the rapid transformation of business organizations is making it even more doubtful than before that we can keep up with the concrete developments, it is perhaps even more important that we find out what the enterprises expect will happen during the current economic year, and how they are holding up in this uncertain environment caused by inflation.

As in previous years, the Economic Research Institute has conducted a written opinion survey among our enterprises, including our domestic trade enterprises and cooperatives. The latter's expectations and plans have also revealed things about the projected popular demand of the consumer goods market, and the possibility of meeting that demand. In accordance with their share of the trade volume, half of our wholesale enterprises, and some 40 percent of our retail businesses have completed the questionnaire.

### Sales Revenues

Although this year's inflation is expected to significantly exceed last year's rates, the trade sector expects a slower growth rate in sales revenues than the year before. Last year, they sold one percent fewer products at 17 percent higher prices, and in 1990, according to the enterprises, nearly six percent less products will be sold at prices 11 percent higher than last year. The enterprises, therefore, expect that the consumers will further curtail their purchases as a result of the price increases.

The nearly complete freeing of food prices means that it is in this sphere that prices are expected to increase most rapidly, and, according to the enterprises, for the first time in many years there will be a greater decline in sales in the food business than in the clothing business.



According to their estimate, they will be selling 8.5 percent less foods, and six percent fewer clothing goods than last year.

This forecast will probably not be accurate, as we expect significant declines in clothing sales. It is possible, however, that retail sales of foods will drop by significantly more than last year's one percent. This, of course, does not necessarily imply a similar decline in consumption. For those who can, are trying to circumvent the retail sector, and buy directly from the producer, for example, by having him raise hogs for them.

The enterprises tend to underestimate the expected rate of price increases. While retail price levels have already risen by more than 25 percent over last year's prices, in the producers' view price increases in 1990 will top at under 20 percent.

**Table 1**

	The GDP	Popular Consumption
	The Rate of Annual Growth at Constant Prices	
1971	6.2	4.9
1980	0.3	0.6
1985	- 0.3	1.4
1986	1.5	2.0
1987	4.1	3.8
1988	- 0.1	4.2
1989*	- 0.2	0.4
1990**	- 2; - 9	- 1; - 2

\*1989 preliminary data

\*\*1990 Economic Research Institute forecast

Source: Central Statistical Office publications, popular incomes and consumption data

One indication of the growing effects of the market is the claim this year by several enterprises that they are unable to pass on the price increases as they did last year. Nearly half of our wholesale enterprises, however, are still in a position to pass on the producers price increases to someone else, and a little more than half are passing them partially on to the retail sector. Only 28 percent of our retail enterprises are still able to pass on their entire price increases to the buyers, 61 percent can only do so in part, and 11 percent not at all.

### There Will Be Enough To Sell

Overall, the enterprises have judged their procurement possibilities to be nearly identical to those of last year, in other words they do not expect to have to worry about shortages of any significance. Here the procurement possibilities of local commodity supplies and hard currency import goods appear to be the most favorable, while the availability of ruble-cleared imports is expected to deteriorate. In the state-owned wholesale manufacturing and cooperative industry sectors—which

make up the bulk of our sales volume—the procurement prospects will remain essentially unchanged. Interestingly, those retail enterprises that have predicted improving procurement possibilities, expect a slower increase in sales than those that have projected deteriorating procurement possibilities. Such tendencies are found primarily in the retail food sector, among the general consumer and marketing cooperatives, and in the retail fuel and building materials trade, which is an indication that the market in these fields is becoming saturated.

With the exception of the retail food sector, the value of enterprise stockpiles is expected to increase at a slower rate than the volume of sales, in other words, the same volume of sales will require smaller stockpiles.

Already last year, the enterprises expecting intensified competition were in a majority, and this year virtually every enterprise indicated that this would be the case. This is also what the responses to the question about changing market shares seem to suggest. Almost every enterprise predicts some kind of a change in its position, i.e., either an improvement or a deterioration of its market share. Generally speaking, larger enterprises are expected to increase their share of the market at the expense of smaller businesses.

### Market Development

Nearly a quarter of our wholesale enterprises have stated that they would be able to increase their market shares; these enterprises, however, already control 50 percent of the total sales. Only one third of our retail enterprises believe that they can increase their market shares.

Number one among the planned enterprise measures aimed at strengthening their competitive positions are profile expansion and organizational development. Only half of our enterprises plan to expand their range of services, and even fewer the size of their service networks. On the contrary, it appears that some of our enterprises intend to use their reserve assets to overcome their financial difficulties.

The trade sector resorts to relatively sizable working capital credits, hence the enterprises will be hard hit by the expected five-percentage-point jump in interest rates. For this reason, and because of their declining sales, most enterprises expect their financial situation to worsen. This does not necessarily mean yet that they will start producing at a deficit, but it does suggest a decline of profits for several enterprises.

In the economy, work force reductions are usually associated with reorganization or with attempts to improve efficiency. In the trade sector the situation is not quite so unequivocal. The respondent enterprises have indicated that they would like, or were being forced, to reduce staffs by an average of 4.5 percent, primarily their store staffs. Such cuts would have the harshest impact on the extremely labor-intensive and relatively poorly paid retail food sector. The biggest staff cuts, 5.1 percent,

have been indicated by the general consumer and marketing cooperatives. At the same time, probably owing to an already existing staff shortage, the retail food sector is planning to boost wages by 23 percent, which is greater than the 18-19 percent average increases planned.

The enterprises' assessment of the situation contains perhaps even more uncertainties than in earlier years. It is enough here to point to the recommended program of the Blue Ribbon Committee, which calls for "turning practically all retail and service units over to the private sector within a year." In trade, however, one must not ignore the fact that, amidst deteriorating living conditions and a growing sense of uncertainty of existence, it has become even more important than at any other time to try to meet popular demand.

### **Varying Experiences of Land Reform Implementation Detailed**

#### **Vecses Yes, Fejer No**

90CH0297A Budapest REFORM in Hungarian  
22 Jun 90 p 6

[Interview with Jozsef Dobrovitz, chairman of the Ferihegy Agricultural Cooperative, by "nef"; : "Vecses Farmers Want Their 1945 Parcels Back"; date of interview not given]

[Text]

Vecses, located in the "armpit" of Budapest, should really have had a cabbage on its coat of arms. It has traditionally been a supplier of produce to feed the capital and stock its markets. Long ago, it was the Grassalkovicses who attracted to the grasslands of Vecses the industrious German settlers from their original settlements in Soroksar, Dunakeszi and Nagykovacs. Vecses families still retain memories of their Rhineland and Pfalzgraf ancestors, although the generations that grew up after the war have forgotten even their native language, for fear of the postwar deportation of Germans and also because of the uniformity of [Hungarian] schools. But most of them have inherited their families' traditional occupation, work ethic, and love of land. As Jozsef Dobrovitz, the chairman of the Ferihegy Agricultural Cooperative (his family used to farm 30 [cadastral] yokes), recalls in our interview with him:

"Vecses residents have always wanted land. That is why we strove to give them land under sharecropping and leasing arrangements, in compliance with the laws that were in force up to now. And as soon as the law allowed members to withdraw land from the cooperative commensurately with their shares in it, we modified our by-laws and set 2,400 hectares aside for that purpose. And now when a member wanting to farm on his own comes along and tells us that his parents contributed 15 yokes—that corresponds to between 8.5 and 9.0 hectares—to the cooperative, we tell him to choose a parcel. There is no parcel that size, but there is one that measures 17 hectares. Could he have that one? Yes, but

for the difference he must first obtain a lease from the older members willing to lease their shares! That way they get more rent from the lease holder, and he in turn gets the land cheaper than if he were leasing it from the cooperative. Well, that much is already in place. What we now need is a real government program that would again make the buying of land respectable. Because these people would also be willing to buy the extra land. Although, to tell the truth, they have already accumulated quite a lot. Here in Vecses, on Lake Balaton, and also in Hajduszoboszlo. But they are like the persecuted who stash bits away here and there, because they fear that their property would be confiscated if it were conspicuously in one piece. That is the fear of which people must be freed!"

[nef] Do all the plots here have owners?

[Dobrovitz] Yes, joint owners commensurately with their shares. What we now would need is that any member wishing to sell his share should be allowed to do so, and another member wishing to round out his farm should be able to buy the former's share. In their interest, and also in the interest of farm production, that is how these nicely staked out large parcels should be released: First they should be leased and, later, fairly purchased. Because the possibilities here in Vecses are fantastic.

[nef] In what way?

[Dobrovitz] Look, the state took away from us 600 hectares for the Ferihegy Airport. Well, that can now produce profit. The value of land around the airport has reached an unprecedented high. We could pay 50,000 forints in compensation per one [Austro-Hungarian] gold crown of the land's cadastral value. The elderly who have there a bit of land worth, say, 12 gold crowns would get 600,000 forints, enabling them to help their grandchildren or even to buy for them a larger parcel of land elsewhere. From the compensation for those five or six hectares of land we could establish a 50-million-forint fund from which young people and members wishing to farm on their own could obtain loans to buy land; and we could also contribute the same amount as our stake in a joint venture to build a five-star hotel and a shopping center. That would provide long-term jobs for the local residents, in supplying produce and providing services.

[Box, p. 6]  
G.B.: The Farmers Club

On the question of land redistribution, Vecses farmers want to go farther than the Smallholders Party: They are demanding that this question be settled with due consideration for the property rights that existed in 1945. To lend greater emphasis to their demand, they reestablished their farmers club, on the basis of its old, 1908 by-laws. Because, they claim, the old by-laws are still up-to-date, except for a few expressions. They stress that now, finally, the owners themselves, rather than the political parties, must decide what to do with the land.

The fact that it will be possible in many instances, because of the one-time compulsory deliveries and land-record anomalies, to reclaim title only through lawsuits, merely adds to the uncertainty. Personal arguments, of which there have already been examples at the organization meeting of the farmers' club, will further hamper clarification of title to the land.

[Box, p. 6]

**Erzsebet David: Fejer County Retains Large-Scale Farming**

There is no new "redistribution of land" in Fejer County, no haste to reclaim land. For the time being, only in a few villages have former owners filed claims to recover their one-time parcels and farms. According to the records of land office experts, there has not been a new "redistribution of land" anywhere so far.

The explanation of the meager interest is probably the fact that in this fertile part of the Trans-Danubian Region there are agricultural cooperatives, state farms and vertical integrations offering good and fairly stable livelihoods. In the cooperatives, income from joint farming per member is higher than the national average: between 95,000 and 100,000 forints annually on the weaker large-scale farms operating under less favorable conditions, and between 135,000 and 140,000 forints on the better ones. The degree of mechanization on the large-scale farms is relatively high, the working conditions are good, and the cooperatives provide many services to help farm production on the household plots.

In any event, the cooperatives are ready for the possible land return claims. Most of the cooperatives have already staked out the parcels from which the claims could be met.

**Reluctant To Own Land**

90CH0297A Budapest REFORM in Hungarian  
22 Jun 90 p 8

[Article by Daniel Bagoly: "Szabolcs County Farmers Favor Large-Scale Farming"]

[Text] Szabolcs-Szatmar-Bereg County has assumed a pioneering role in claiming the return of farmland. On 21 March in Lovopetri, using forms distributed by the MDF, 22 persons filed claims to recover their one-time property. That same day, two claimants repossessed eight and six [cadastral] yokes, respectively. The other claimants subsequently withdrew their claims: They did not want their ancestral lands back. This sudden halt has become typical of the Nyirseg Region.

Dr. Bela Sveda, chief of the Department of Land Records and Land Use at the County Land Office, told us: "Former owners have claimed and gotten back so far barely more than 500 hectares out of the total area of farmland, which is about 500,000 hectares. Our experience is that few claimants want to start farming on their own. Many of the claimants want their land back mainly

to sell it or to lease it to someone else. However, there is no demand to buy or lease land in the county, because the prerequisites for the resumption of private farming—farm machinery, seed, and a secure market—are lacking."

As to how many private farms have sprung up so far in Szabolcs County since the redistribution of land? Slightly more than 500, mostly around Napkor.

Bela Liptak, deputy chairman of the Kossuth Cooperative in Napkor, informed us: "From our jointly farmed land we distributed 350 hectares to 200 entrepreneurs, of whom 180 are not members of the cooperative. These former owners are farming a total of 200 hectares. In addition, 100 cooperative members requested and, in accordance with the decision of the general meeting of members, received land, but on the condition of retaining their membership, at their own request. In other words, they will be farming the land in their spare time.

"Our cooperative offered its services—plowing, seeding, protecting plants, and harvesting—to each of the private farmers. Most of them ordered our services. Naturally, they will have to pay for the work we provide. We also offered to market the private farmers' produce, and many of them have signed contracts with us. They will deliver their vegetables and fruit to us, which we will process in our drying and juice-extraction plants, and then export to capitalist markets."

Encouraged by the example of the agricultural cooperative in Napkor, other large-scale farms have also attempted to redistribute land. They sent letters to each of the one-time owners, requesting to know whether the latter wanted to reclaim their land. There were only a few answers in the affirmative. It appears that most Szabolcs County farmers favor large-scale farming. But there are also areas—in the Szatmar portion of the county, in the vicinity of Jankmajtis, for instance—where about 200 former owners have formed the Association of Wooded-Ridge Land Claimants and want their land back. The local agricultural cooperatives would be willing to return the claimants' land, but the land records are not in order: Some of the claimants do not have title to as much land as they are getting. Instead of land, therefore, there are only disputes for the time being.

**POLAND**

**Government 'Memorandum for Developmental Policy' Summarized**

90EP0807A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 12, 13 Jul 90

[Unattributed article: "A Program for the Present and the Future: A Polish Government Memorandum"]

[12 Jul pp 1, 3]

[Text] As we already noted while reporting on the sessions of the Council of Ministers, the Polish govern-

ment has discussed and adopted a "Memorandum for Developmental Policy." That document was enclosed with the letter sent on behalf of the Polish Republic to Chairman of the World Bank Barber Conable by Chairman of the National Bank of Poland Wladyslaw Baka and Deputy Premier and Minister of Finance Leszek Balcerowicz.

In that letter the Polish government requested of the World Bank a structural adjustment loan (SAL) of \$300 million. The memorandum is the second most important Polish document addressed to the international financial organizations, next to the letter of intent sent to the IMF, and the World Bank's acceptance of the memorandum would be tantamount to granting us that loan. The SAL is payable in installments. A requirement or receiving the first installment is the adoption of the privatization law.

The "Memorandum for Developmental Policy" is an extensive document reporting on both the present accomplishments in implementing the economic program of the government of Tadeusz Mazowiecki and the intentions for the present and future years. In our discussion of this document we are focusing chiefly on these intentions.

In the preamble to the "Memorandum" the Polish government briefly recapitulates the course of economic processes and the measures taken by the previous governments in the 1970's. It also outlines the country's economic situation at the moment when the government of Premier T. Mazowiecki was constituted. Next, it sets forth the main assumptions of the economic program for 1990: stabilization and accelerated institutional changes, as specified in the standby agreement concluded with the IMF.

Thereupon, the principal measures to implement the program are recapitulated, such as the curtailment of the budget deficit, the introduction of positive real-value interest rates, the unification of the free-market rates of exchange of the zloty, the curtailment of wage increases in relation to price increases, the elimination of most of the official prices, the abolition of limitations on the access of farmers to means of production, and the elimination of relics of the command-allocation system.

The principal part of the "Memorandum" is its Chapter 3, which deals with the program for structural reforms and institutional changes. Below are its chief elements:

#### **"A. Principles of Medium-Term Macroeconomic Policy, Quantitative Aspects and Monitoring"**

"The government is aware that, despite the recent Paris Club accord and the anticipated agreements with other creditors, the substantial foreign indebtedness will markedly affect the prospects for the medium-term balance of

payments and for the recovery of creditworthy status. The government has outlined a strategy for resolving the debt problem such as would promote achieving, by the year 1994, the status of current accounts in convertible currencies that would assure permanent convertibility of the zloty.

"The essence of this strategy consists in markedly reducing the debt burden with the object of achieving economic recovery during 1991-93 and assuring a stable growth of the economy in the subsequent years. Accomplishing this goal will require reducing the interest-payment obligations to two percent reckoned in terms of the old debt as of the end of 1990 (excluding the obligations ensuing from the influx of new capital commencing with the end of 1989).

"This would serve to increase the gross domestic product (GDP) and per capita consumption at a pace sufficient for Poland to catch up within one or two generations with the countries of West Europe having a moderate income level. Before the second installment of the SAL is released, the government will present a report on the progress achieved in translating the adopted strategy into reality. At the same time, the government shall take appropriate steps to strengthen the operating possibilities of the FOZZ (Foreign Debt Service Fund) in order to improve its ability to manage foreign debt.

"In particular, the government will improve the FOZZ's debt recording and management system and assure the separation of these operations from the other operations conducted by that Fund. Before the second installment of the SAL is released, the government shall inform the World Bank on the progress achieved in this field. Similarly, the government shall improve the coordination of the incoming foreign aid so as to assure its most effective utilization. This task was recently entrusted by the government to a special interministerial commission under the chairmanship of the deputy premier and minister of finance."

The desirable medium-term results of economic growth are defined by the variables specified in the Appendix to the Memorandum. We are citing that Appendix verbatim below.

#### **"Variables Subject to Monitoring"**

"(1) Inflation rate: by the beginning of the fourth quarter of 1990 it should drop to below two percent; in 1991, 15 to 25 percent (from December to December); and in 1992-93 less than 15 percent annually (to be determined through consultation with the IMF).

"(2) Gross foreign exchange reserves: beginning with 1990 an amount at least corresponding to the value of three-month imports of goods and services (to be determined through consultations with the IMF).

"(3) Balance of payments (current and capital accounts), with special consideration of growth of exports: growth of exports in convertible currencies at a

rate sufficient to assure a regular surplus of current accounts of the order of \$1 billion in 1990 (with allowance for the February 1990 accord with the Paris Club), and US\$900 million in the years 1991-93, with allowance for debt reduction. An increase in exports during 1990-93, including exports to CEMA countries reckoned in convertible currencies, on the average 18 to 20 percent annually in real-value terms.

“(4) Ceiling Debt Indicators (in percent):

	1991	1992	1993
I/X [term unexplained]	23-28	20-23	17-20
Debt (GDP)	78-80	72-74	64-66

“(5) Increase in GDP or in gross output (with allowance for the February 1990 accord with the Paris Club). During the years 1991-93 the GDP is to increase at the rate of 5 to 6 percent annually. Data on the output of the socialized sector (currently recorded in the form of volume of sales) will be utilized as quarterly indicators.

“(6) Gross domestic savings (GDS) (with allowance for the February 1990 accord with the Paris Club) sufficient to finance needed investments without excessive participation of foreign capital:

	1991-93
GDS/GDP	27-30%

“(7) Capital investments (to the possible extent, on isolating the situation in the private sector) sufficient to cause a five-percent increase in the GDP. Anticipated minimum level (in percent):

	1990	1991	1992	1993
I/GDP	20-22	23-26	24-26	24-27

“(8) Employment and joblessness (to the possible extent, on isolating the situation in the private sector): planned quantities are not specified, but close monitoring is expected.

“Variables of economic policy:

“(1) Nominal currency rate of exchange, to be determined, with allowance for IMF programs.

“(2) Nominal interest rate, to be determined, with allowance for IMF programs.

“(3) Budget deficit, on condition of satisfactory level and structure of expenditures, to be determined, with allowance for IMF programs.

“(4) Domestic credit and net assets, to be determined, with allowance for IMF programs.

“(5) Import duties and nontariff restraints on trade, without raising the general level of protection.

“(6) Price policy, especially as regards energy and transportation prices, further moves in the direction of free-market evolution of prices.

“(7) Nominal wages, to be determined, with allowance for IMF programs.

“In the event of substantial deviations, especially in the event that the projected rate of economic growth and level of employment are not attained, the government shall enter, where suitable, into consultations with the World Bank concerning the possibilities for correcting economic policies.

“Fiscal Policy”

“As a key element of stabilization efforts the government adopted a 1990 budget that allows for a planned deficit amounting to one percent of the GNP. The financing of that deficit will be consonant with the general macroeconomic assumptions, particularly those concerning monetary policy and the balance of payments. It is expected that budget revenues shall rise to about 30 percent of the GNP (compared with 28.6 percent in 1989) owing to, among other things, the curtailment or elimination of tax exemptions and of other preferential tax rules.

“The most important of the planned changes concern expenditures, which will be reflected in a drastic reduction of subsidies to a level of about five percent of the GNP (compared with about 12 percent in 1989). However, direct budget subsidies for energy (coal subsidies for producers and households), housing construction (inclusive of loan repayments, housing rentals, central heating, and hot water), personal transportation, owners of government-guaranteed car-prepayment coupons from the year 1981, and farm-loan interest payments, will be retained.

“The government intends to keep the budget deficit as long as possible at a level not requiring resorting to inflationary means of financing that deficit and not affecting negatively the availability of credit to manufacturing sectors, especially in the private-enterprise sector. To assure the attainment of that integral goal, the government will continue to strengthen its revenue basis by introducing a value-added tax and a personal income tax before the end of 1990 and by further curtailing or eliminating tax exemptions, inclusive of the exemptions applying to investments in environmental protection.

“The decree on the personal income tax will take effect early in 1991, and the decree on the value-added tax will do so later that year. All the tax instruments will be so designed as to increasingly eliminate differences between [state, private] sectors and enterprises and abolish any still surviving forms of discrimination against private companies.

“On the expenditure side the government intends to: (1) further curtail subsidies, and (2) increase the share of funds for social programs. The government will freeze mine subsidies and liberalize domestic coal prices by 1

July 1990. This price liberalization will be facilitated by the disbandment of the Coal Corporation and the creation of a competitive market for coal in this country. Beginning in 1991, the government will curtail mine subsidies and reduce the export tax on coal so as to eliminate both these instruments by the end of 1992. This should adjust domestic prices of coal to the world level. The prices of other energy sources (including central heating, brown coal, natural gas, fuel oil, motor oil, and electricity) for industrial users will be, by 31 December 1990, adjusted to a level close to the levels observed in the typical West European market economies so far as its ratio to domestic prices of black coal is concerned.

"By 31 December 1990 energy prices (inclusive of central heating, brown coal, natural gas, motor oil, electricity) for private consumers (households) will be adjusted to a level equaling at least 50 percent of the price paid by industrial users. By the end of 1991 these prices will be adjusted to a level equal to that of the prices paid by industrial users. In the 1991-92 period and subsequently energy prices for industrial users will be changed, along with changes in coal prices, with the object of achieving the price structure existing in market economies.

"As of 1 June 1990 public transit (both rail and bus) rates have been increased by 100 percent. Railroad freight fees were raised by 25 percent. By the end of 1990 and subsequently the efficiency of the Polish State Railroads will increase at least to the extent agreed upon with the World Bank as part of the Transportation Project. In addition, appropriate steps, including tariff revisions, will be taken with the object of further curtailing subsidies and achieving at least the ratio of expenditures to operating cost agreed upon with the World Bank as part of the Transportation Project.

"As regards housing subsidies (for maintenance and repair, rentals, heating, hot water, and loan interest payments), they are scheduled to be somewhat curtailed by the end of 1990. Before the second installment of the SAL is released, a plan of action intended to gradually curtail all kinds of housing subsidies will be adopted upon consulting the World Bank. And as regards medical care, the government intends to assure equal access to it for different social groups by improving its orientation.

"The government recognizes that a crucial aspect of medium- and long-range growth is investments in the basic branches of the economic and social infrastructure on the national scale as well as on the scale of discrete regions and gminas. Thus while in 1990 the allocated investment funds financed from the state budget had to be reduced overall to two percent of the GNP by suspending or rescheduling investment projects with lower priorities, beginning with the 1991 budget conditions will be created for introducing an appropriate level of investments in relation to the GNP.

"The government will take the necessary institutional measures to improve the planning of budget expenditures within a corresponding macroeconomic framework and to curtail the overall budget deficit. In particular, it will undertake to streamline the process of preparing, assessing, and defining investment priorities as regards the infrastructure. The draft 1991 budget will be discussed with the World Bank before the second installment of the SAL is released.

#### "Conditions of Trade"

"The government is obligated to maintain an open foreign-trade system and a corresponding currency rate of exchange so as to assure international competitiveness in foreign trade. The introduction of the new open trade system represents the principal expansion of the price liberalization initiated early in 1990 and will make it possible—by encouraging competition—to combat monopoly structures in the manufacturing sectors. At the same time, these more evenhanded conditions of commerce represent a prerequisite for an effective restructuring of enterprises and for the encouragement of new enterprises and new forms of activity.

"Licensing of trade in practically all merchandise has been abolished. Only certain requirements for granting import permits for such goods as weapons and radioactive materials have been retained. On the export side, licensing has been retained with respect to several products for three reasons: (1) in order to assure an adequate domestic market supply of such products as anthracite, coke, and electricity (which still are subject to domestic price controls); (2) in order to prevent windfall profits from the reexportation of certain import items concerning CEMA countries, whose prices are distorted owing to mutual differences in the exchange rates of the dollar, the transfer ruble, and the zloty; and (3) in order to respect voluntary export restrictions on merchandise covered by quota restrictions on the markets of foreign partners. The government is obligated to gradually eliminate the remaining restrictions in measure with the gradual abandonment of domestic price controls, reform of the CEMA system, and abolition by foreign partners of their import restrictions affecting trade with Poland.

"In view of the introduction of an open system of foreign trade and its break up of monopolies, customs tariffs have become an instrument for equalizing domestic prices vis a vis export prices. The mean, nonweighted duty rates for manufactured goods amount to about 12 percent, and the duties on investments and capital goods are lower than the duties on finished products, thus providing real and effective protection depending on the nature of the goods. The government is obligated to introduce a reform of duty rates with the object of stimulating economic effectiveness by weakening protectionism. The range of duty rates will be narrowed by raising low rates and lowering high ones.

"During the first stage the government will complete a study of the customs system with the aid of the World

Bank. Based on the findings of that study, the government will develop by the end of 1990 a program for further customs reforms in the medium-term time frame with the object of reducing differences and promoting efficiency. Before changing the duty rates the government will inform the World Bank. In addition, the government is obligated to limit its ad hoc interventions to: revising the duties on discrete merchandise, differentiating the turnover-tax rates, and levying surcharges analogous to those currently levied on automobiles, alcohol, and cigarettes. At the same time, in the medium-term time frame, the government also intends to assure a more flexible flow of funds in the current accounts of the balance of payments by further liberalizing the repatriation of dividends by foreigners.

**"B. Main Elements of the Program. Enterprise Restructuring, Privatization, and the Growth of the Private Sector"**

"The government is bound by its declaration to carry out a rapid transition to a market economy with the object of increasing productivity and competitiveness and promoting economic growth. A major element of these changes is the reform of the state-enterprise sector, which consists of 7,000 entities accounting for 70 percent of all economic activity. The government intends to introduce fundamental changes in the ownership structure of the Polish economy by means of a program for privatizing the enterprises of the state sector, creating conditions favorable to the rise of new enterprises, and enhancing the operating efficiency of the enterprises that remain state owned.

"A general objective of the government is to shift inactive resources to productive applications. To accomplish this objective the government has decided to privatize most enterprises at a pace as rapid as permitted by the need to assure appropriate clarity and profitability of the conversions. At the same time, the government is aware that the process of selling [state-owned enterprises] will require a great deal of time and that in this connection economic performance in the medium-term time frame will hinge on the economic and financial accomplishments of the enterprises which for the next few years will continue to be state owned.

"Hence also the government is endeavoring to enhance the autonomy of state enterprises, whose operations will henceforth be regulated chiefly by competitive market forces. The government will continue to withdraw from administrative and political interference, and at the same time it will tighten the requirements for the financial autonomy of these enterprises as well as expect them to operate at a profit. Further, it imposes on these enterprises the obligation of paying dividends (based on reappraised value of their capital). State enterprises which exist in a difficult situation, as reflected in their operation at a loss or in their lack of funds for paying

dividends, should be appraised and, if proper, restructured to provide them with the organizational, technological, and financial resources needed to assure an adequate operating efficiency and productivity.

"The 'Recovery Commission' (established by an amendment to the Law on State Enterprises) which supervises this process will rely on special consultants ('enterprise doctors') to determine whether a given enterprise should be restructured, sold, or liquidated. Depending on the kind of measures proposed, a corresponding plan would be presented to commercial banks (or to special institutions for financing the restructuring) or to the Office for Privatization, or to the authorities empowered to liquidate the enterprise. Following revisions of the Bankruptcy Law, enterprises nowadays are subject to normal commercial bankruptcy proceedings. Enterprises viewed as unprofitable should be shut down.

"The government's approach to the question of restructuring is either based on the principle of voluntariness, with the initiative coming from the enterprises themselves, or of a 'protective' nature, with the initiative coming from the state and being prompted by the losses incurred by the enterprises, or their inability to pay dividends. The government will establish two special institutions for assessment and financing which are to attend to aspects of enterprise restructuring.

"These institutions are the Industrial Restructuring Agency at the Ministry of Industry and the Bank for Restructuring the Economy. The Industrial Restructuring Agency bears broad responsibility for organizing and coordinating the state's restructuring policy, identifying the cases of poor performance of enterprises, organizing assistance for foreign investors, training, and providing funds for restructuring projects. The tasks of the Bank for Restructuring the Economy are more narrow in scope, being limited to the funding of structural changes and, in certain cases, acquiring shares in enterprises which experience problems but have the potential for recovering a sound and competitive position. Both these institutions will guide themselves by the principle of an explicit separation of the tasks associated with drafting the restructuring plan from the decisions concerning the funding for that plan.

"The government recognizes the unprecedented and experimental nature of the tasks facing it with regard to restructuring, and it has deliberately resolved to initiate measures of a partially mutually competing nature with the object of ultimately choosing the optimal operating procedures. The government shall continue its efforts to obtain foreign financial and technical aid (inclusive of foreign experts) with the object of promoting restructuring measures.

"In sum, the government's policy is intended to enhance efficiency in the enterprise sector while at the same time adhering to definite rules of fairness. This policy will be pursued in various ways, namely:

- "Small industrial and commercial enterprises will be sold or leased without prior transformation [of their mode of ownership], in a direct and speedy manner.



- "Major privatization measures, which require prior [ownership] transformation of an enterprise, will be carried out by agencies of the ministry (for ownership transformation) pursuant to law.
- "Unprofitable enterprises lacking prospects for the future will be identified and shut down.
- "Enterprises which currently experience problems but have a chance for improvement will be evaluated and, in cases unequivocally warranting investments, restructured with the partial participation of the Industrial Restructuring Agency or the Bank for Restructuring the Economy.

"In view of the problems being encountered in identifying in advance the optimal solutions, the government intends to allow for some time competition among different approaches in order to evaluate them by the end of 1991 and decide which ones should be supported and which ones revised or discarded.

"The government shall continue to support the growth of competition by introducing an ongoing monopoly breakup program. A program of action has been worked out for the new Antimonopoly Office, with priorities placed on trade, the food industry, and transportation and other services. The organizational and personnel structure of that Office will be correspondingly adjusted, and it has been provided with appropriate funds to enable it to translate into reality its mission and program of work."

[13 Jul p 3]

In its yesterday's issue this newspaper had published the first part of an extensive abridgment of the "Memorandum for Developmental Policy." Today we publish the second and last part.

"It is anticipated that the Ministry of the Internal Market will, in cooperation with the Antimonopoly Office, at first concentrate on breaking up wholesale and retail trade monopolies, and especially the distribution of consumer goods. Concurrently, the Ministry of Agriculture and the Food Industries will, in cooperation with the Antimonopoly Office, focus on breaking up monopolies in the organization of trade and procurements in agriculture and agricultural and food processing. The creation of suitable conditions in the transportation industry, especially in automobile transportation, has a high priority, with corresponding participation by the Ministry of Transportation and Navigation.

"Preliminary steps have already been taken as regards the production of meat and sugar and in mining and transportation. The Antimonopoly Office will coordinate the development of appropriate programs of action in these fields, programs that specify concrete, verifiable actions and their schedule, in order to encourage competition. Such programs will be worked out by July 1990 and presented to the World Bank; their implementation

will be subject to a review before [the World Bank] authorizes the release of the second installment of the SAL.

"The government is selecting the enterprises to be first offered for sale under the privatization program. In the next two years the government intends to offer for sale additional enterprises which together would represent at least 10 percent of the 1989 sales of the state sector. At present the more direct and rapid process of the privatization of small stores and little enterprises is taking place.

"The government shall continue to encourage and facilitate private-sector investments, including the recruitment of direct foreign investments, the creation of organizational conditions and an appropriate infrastructure, technical assistance for qualified domestic candidates, availability of credit, and abolition of the existing legal and tax barriers. Specific measures will be worked out during 1990. Success in these fields is closely linked to streamlining the operations of the banking and credit sector.

"To assure a sound ecological underpinning of the process of restructuring and privatization, the government has commenced to review and revise the present system of laws and regulations concerning environmental protection. As of 1 March 1990 norms for the emission of sulfuric and nitric dioxides as well as of ashes were introduced with respect to all fuel-combustion processes. After the related practices of the countries of the European Community are investigated, a similar set of norms for liquid wastes will be introduced by the end of 1990. Minimum state norms will be specified and adherence to them rigorously exacted. In the future tighter standards for the emission of gases and discharge of liquid wastes may be introduced on regional or local scale.

"Prior to effective adherence of the new standards the government is reviewing the existing system of payments and fines [for environmental pollution] and intends to introduce by the end of 1990 an updated system of economic instruments based on the experience of the European Community.

"To meet environmental standards as a side effect of the restructuring process, we expect that it will become necessary to make a deliberate choice between the application of new technological processes and purification in the last stage of the manufacturing process ('end-of-pipe' technologies). After a seven-year transition period, the differentiated treatment of 'existing' and 'new' pollution sources will be eliminated so that new and potentially more productive enterprises will not be placed in a less favorable competitive situation compared with existing enterprises.

#### "C. Reforms of the Financial Sector"

"Monetary and financial policy. Under the stabilization program, which commenced on 1 January 1990, credit policy was tightened and interest rates adjusted more



realistically. The application of preferential interest rates was curtailed, and the state budget took over the attendant financial encumbrances. Plans exist for further reductions in interest-rate subsidies, and credit from outside sources will be granted to final borrowers on the basis of the actual interest rates.

"As part of the changes in monetary policy, the National Bank of Poland (NBP) introduced as of March 1990 regular auctions of its promissory notes as well as other indirect methods for managing monetary policy, such as the discounting of commercial promissory notes as of April 1990. Ultimately the NBP will base most of its market operations on promissory-note transactions, while at the same time its role [as a source] of direct credit for banks will decline.

**"Strengthening the banking system.** The development of a more independent and efficient banking system was initiated in 1987, on gradually instituting a two-tier system under which the NBP retains only the basic functions of a central bank and relinquishes the remaining functions to the PKO BP [Polish Savings Bank] and a network of nine commercial banks. The new banking law was introduced in January 1989, making it possible to introduce a universal banking system open to private and foreign investments.

"As regards the legal form of state banks, the government believes that the optimal level of the autonomy and effectiveness of these banks can be achieved only by converting them to joint-stock companies, as envisaged in the amendments to the banking law and the Decree on the NBP passed on 28 December 1989.

"The purpose of the intended changes in the commercial-law regulations governing economic activity is also to improve the clarity of the regulations governing the right to own land and other material rights, inclusive of mortgages. Similarly, the procedures for recovering arrears in loan payments will be additionally tightened, in particular as regards the rights of the banks in the event of debtor insolvencies.

**"Modernization of the NBP.** With the aid of the IMF, the World Bank, and a certain number of foreign central banks, the NBP has launched an ambitious modernization program with the object of strengthening its possibilities for action, especially as regards monetary and credit management, the payments system, and supervision of the banking system. Regarding changes in the payments system, certain steps have already been taken in connection with the planned establishment in 1991 of an accounts clearinghouse and an electronic interbank clearing system.

"As regards supervision of the banking system, the proposed approach to making that supervision more feasible within the framework of the NBP presupposes, in the first priority, the preparation of a detailed accounting system which should be ready in its ultimate form by 30 November 1990, and the banks would begin to introduce that system as of January 1991, before the

second installment of the SAL is released. Improved rules for accounting and financial monitoring are being prepared with the object of, among other things, adapting Polish regulations to those applying in the countries of the European Community while at the same time averting major disturbances in the operation of Polish enterprises.

**"Strengthening of existing banks.** As the second, other than the NBP, banking tier is being created, the objective of the government is to initiate the growth of a system of commercial banks which will, although they will probably remain under state control for some time, operate as autonomous and accountable institutions for an effective mediation between savings depositors and borrowers.

"In the first stage complete financial control will be introduced with the object of the institutional strengthening of the banks. Such control has already been initiated with respect to the Export Development Bank, the Bank of Commerce, the PKO Savings Bank, Limited, and the Bank of the Food Industry, in May and June 1990. By the end of July 1990 broad assessment studies will be undertaken with respect to the nine commercial banks, and soon afterward extended to the PKO BP Bank and others. This should result in the development of medium-term programs tailored to many of these banks.

"The reform of the financing of certain projects, previously handled by a centralized command-allocation system, will require special attention and may affect considerably certain of the existing banks. These projects concern housing construction, agriculture, and central investments. The development of the programs being currently prepared in these fields will entail major changes in the operations of the PKO, the Bank of the Food Industry, cooperative banks, and the Bank of the National Economy.

"What is more, the Ministry of Finance has decided to establish a new bank, the Bank for Economic Restructuring, which would sponsor projects for the restructuring of enterprises by means of credit and participation in a program for the conversion of indebtedness to capital shares. A foreign partner is being intensively sought for this venture. In the near future, to facilitate the transition to a market economy, the government will sponsor specific programs and institutions on commercial principles, and the long-term objective is to accelerate the establishment of a universal banking system and strengthen the element of competitiveness in banking.

"A major step preceding the financial restructuring of state banks is their conversion to joint ventures. The December 1989 Amendment to the Bank Law makes such conversions possible, and some of them will take place in 1990. The government will also adopt by July 1990 policy assumptions concerning central investments, reflecting its obligations to the banks currently

funding these investments, and it will define the principles for the continued funding of these investments (from bank assets, when so warranted) and the proposed conditions for eliminating them.

#### **"D. Health and Welfare"**

"The government has taken major steps to develop employment services, construct a social security system, and provide training for the jobless. In addition, the government has resolved to initiate many studies of social policy which will promote the restructuring of the health care system.

"An important purpose of the new regulations is to provide pensioners, the unemployed, and low-income earners, with protection against excessive hardships during the period of the implementation of the stabilization program and adaptive processes. Before the end of 1990 (before the second installment of the SAL is released) the government will carry out a thoroughgoing assessment study of the welfare system with the object of determining whether it protects the unemployed and pensioners against destitution. At the same time, efforts to augment and streamline the distribution of welfare funds will be continued.

"To protect the welfare of single persons and families living in particularly difficult conditions which cannot be overcome by their own efforts, the government shall, before the second installment of the SAL is released, submit a draft law consolidating the existing systems of welfare payments disbursed by social care institutions and funded from the state budget. The government shall take steps to assure broad access to such benefits as regular and periodic financial allowances, accommodations in homes for the aged and other social care homes, and other entitlements. The implementing regulations must be specific and contain directives and prescribe the procedures for granting the above-mentioned benefits and allowances.

"At present the government lacks the data needed for a rational allocation and budgeting of welfare funds. Hence, before the second installment of the SAL is released, the government shall establish an information system for monitoring poverty as well as a database for monitoring the size and direction of welfare payments and keeping records on recipients. In addition, the government intends to apply for outside assistance to initiate and implement a training program for social workers. Once the country's economic situation improves, the government intends to increase the amount and scope of the benefits funded from the state budget.

"The government also has resolved to conduct in 1990 intensive studies of the ways and means of funding health care, because implementing certain changes in that funding could produce economic and social consequences that transcend greatly the public health sector.

"The options to be explored are: (a) a mandatory health insurance tax levied on both employers and employees and intended to fund a broad range of standard health services specified in health insurance agreements; (b) supplementary and voluntary health insurance; (c) strategic financial initiatives, e.g., copayment for certain health services, total reimbursement of the cost of others, and indirect taxation of injurious products such as tobacco and alcohol; and (d) an extensive assessment study of expenditures on health care, to be performed by the Ministry of Health and Social Welfare.

"As regards streamlining the performance of the health care system, the government intends during 1990 to complete a thorough review of that system and prepare itself to implement projects concerning: (1) appropriate funding of the procurements of medicines and other supplies in 1990; (2) decentralization, with allowance for the ongoing reform of local self-governments; (3) cost-cutting measures, particularly as regards pharmaceuticals and the application of modern technologies; (4) strategic financial initiatives intended to enhance the productivity of physicians, nurses, and other health-service employees; (5) modern management techniques of streamlining health care and making it more productive; (6) ways of optimizing the allocation of (financial, physical, and human) resources, including the possibilities for access to a limited range of drugs; and (7) investments needed to upgrade the facilities and train the personnel of the health service, so as to raise the level of the services it provides.

"To assure appropriate coordination, the Ministry of Health and Social Welfare has formed the Commission for Health Reform along with taskforces which will translate into reality discrete aspects of these undertakings. Their appropriate funding has also been assured."

#### **Planned North-South Highway Depends on Economic Situation**

##### **10-Year Construction Plan**

90EP0762A Warsaw TRYBUNA in Polish 22 Jun 90  
p 1

[Article by (TOMS): "Highway From the Top (of the Map) to the Bottom"]

[Text] If all goes well, today's three year old will, on the day of his majority, at last be able to drive a car under decent conditions (by highway) from the north to the south of Poland.

In 2005, the Polish segment of the trans-European north-south highway is to be completed.

From Gdansk through Swarorzyn, passing Grudziadz, Wloclawek, Kutno, Piotrkow Trybunalski, and Czesochowa and cutting through Upper Silesia, the road will touch the border in the vicinity of Chalupki. In short, it will run along the corridor of the existing road E-75.

The highway will be 558 km, and the Lodz-Czestochowa section is operating but requires adaptation to the highway's parameters. The cost of the undertaking is sky high; suffice it to say that one km will cost 21.4 billion zloty in January prices. The highway will be built in three five-year segments.

The first stage, to 1995, includes construction of the Gdansk-Torun segment (154 km) and upgrading of the Piotrkow-Czestochowa road.

In the second stage, the Torun-Lodz section will be built, (180 km). And the third stage, to 2005, is Czestochowa to the border.

Calculations for construction of the highway are being made on the assumption that the central budget will finance 20 percent; the rest would be made up of foreign loans, obtained with Japanese participation under preferential conditions, e.g., two percent interest for 35 years with a 10 year deferment. The Polish part of the financing includes purchase of land and compensation for the change in land use, settling conflicts, working plans, and supervision. The foreign credit will cover the construction work of assembling and equipping the highway. There will be a parking lot every 12 km, filling stations every 43 km, and every 86 km service stations, restaurants, and motels.

There is only one condition. Construction of the highway cannot take place "under conditions of crisis stagnation." So the highway will exist if the economy is in a position to emerge from crisis.

#### Limited International Role

90EP0762B Warsaw *RZECZPOSPOLITA* in Polish  
26 Jun 90 pp 1-2

[Article by Krzysztof Szczeniak: "Highway Question Marks"]

[Text] Perhaps everything will turn out favorably, but, for the time being, one cannot be sure of anything. Not that the Japanese will give us a low interest loan and help with construction, nor that our own budget will be inclined to lift a part of this considerable weight. Simply put, discussions about building a north-south highway are still at a very preliminary stage, and during the latest meeting of the Economic Committee of the Council of Ministers, the point was mostly whether to continue them and attempt to bring them to a successful conclusion.

The point is that the north-south highway, contrary to publicly held beliefs, will not solve all of our basic

transportation problems. Construction of at least three roads of this kind can solve them: north-south; east-west and A-4; and a southern east-west highway linking Wroclaw to Opole, Katowice, and Krakow. Of course, we cannot afford to fund even one of them, not to mention three.

Suffice it to say that, according to world prices—and we just about have them—the average cost of building one km of the highway is currently about 20 billion zloty, which corresponds to \$2 million. As far as the north-south highway is concerned, the total cost of its construction is estimated at 12 trillion zloty. So there is something to consider before making a decision. Especially since the Polish segment is a small fragment of an international artery whose course was negotiated under the patronage of the United Nations by 10 countries. In the Poland-Czechoslovakia-Austria-Italy direction its construction is about 50 percent advanced. On the Poland-Czechoslovakia-Hungary-Yugoslavia-Bulgaria-Turkey line, it is much less, about 30 percent advanced. In Poland, this level should be seen as 20 percent. The point is that building the highway on our soil alone, without the possibility of running it from Scandinavia to the Mediterranean, obviously raises costs, since not all potential users will take advantage of that route.

Incidentally, it is worth saying that from the very beginning, with all kinds of calculations of profitability, it has been contemplated that this would be a toll road. The pleasure of conquering it would cost about \$1 for each 100 km, or at current rates almost 10,000 zloty. This price, one notes, will still be acceptable to most of those who take part in the traffic, but, in spite of this, it does not permit self-financing of the highway. So, in paying off any loans incurred in the West, the budget will also have a part, not to mention that, in general, financing of current costs of construction from the budget is expected and this share will equal 20 percent. The rest, 80 percent, would come from foreign loans.

As one can see, it is not at all clear that in 1996 the segment from Gdansk to Torun will be ready, in 2000 from Torun to Lodz, and in 2005 it will be possible to use, as is assumed, the entire 558 kilometers of the north-south Polish highway. Of course, it would be wonderful if this plan could come true, and it is necessary to do as much as possible, so that work could start as soon as possible, but one must also look at the world realistically. Such a highway can pay for itself in 10 to 15 years. Investing the same money in other areas can bring profits much sooner. And that is why hurrah optimism in the case of the north-south highway is completely inadvisable.

## BULGARIA

### **Leptospirosis Bacteria Found in Rusenski Lom River**

90P20085Z Sofia DUMA in Bulgarian 25 Jul 90 p 3

[Article by Tsenka Ginkova: "There Is Dangerous Bacteria in Rusenski Lom"]

[Text] Just a dip in this river is enough to send you to the isolation ward. That is exactly what happened to A.I. and D.Z., who are already in bed there, diagnosed with leptospirosis. This disease is the result of blatant unsanitary conditions and improper livestock management and appears relatively infrequently, but, when it establishes itself, it almost always turns into an epidemic.

According to the director of KhEI [Hygiene-Epidemiological Institute] in Ruse, Dr. Konstantin Kolev, the most likely source of the infection is the pig farms, located in the Dolapite and Sredna Kula districts and the village of Ivanovo in the immediate vicinity of the Rusenski Lom River. The river has been polluted by these farms for a long time, and its water is a very toxic and bacteriological danger, in view of which it is risky to use it for swimming, laundering, and washing.

## POLAND

### **Study Examines Numbers of Practicing, Nonpracticing Catholic Youth**

90EP0785A Gdansk GWIAZDA MORZA in Polish  
No 13, 1-8 Jul 90 p 3

[Article by Rev. Zdzislaw Kropidowski: "Religiousness of Poles—Academic Session in the Gdansk Theological Institute"]

[Text] The session was held on 19 May on the initiative of the Rev. Dr. Zdzislaw Kropidowski, director of the [Gdansk Theological] Institute. In opening and introducing the session, Dr. Tadeusz Goclowski, bishop of Gdansk, mentioned several typical traits of religiousness of this decade and emphasized the convergence between the Christian ethos and the political trends of the nation. He admitted that this was a time of long and dramatic retreats and subsequent closeness of the nation to Christianity. He acknowledged that this process continues, as he noted during the deliberations of the Joint Committee of State and Church which consisted of a mutual seeking of the good of the nation and the organization of the country that would give consideration to the 90 percent of the people who are Catholics, and would avoid sectarianism. The bishop of Gdansk also recalled the role of John Paul II in forming the religiousness of the Poles, which can be most succinctly described by the call of the Holy Father: "Do not be afraid." In the 1980's, the Pope expressed and prayed over this value, and the people adopted it.

The first paper was read by the Rev. Professor Janusz Marianski, doctor habilitatus, Lublin Catholic University, who, after a short introduction, presented the results of a sociological study of the religiousness of Polish youth conducted during 1988-89. He presented five planes of religiousness and noted the significant differences between a general declaration of faith and morality, between the practices and religious knowledge of youth. From the point of view of the structure of their profession, 95.1 percent of the pupils and 88.3 percent of the students professed belonging to the Catholic Church, and the index of deeply committed believers and believers was 82.0 percent among the pupils and 74.3 percent among the students.

The lecturer, considering the moral condition of the young generation of Poles of the late 1980's, postulated a full mobilization of all spiritual forces of the nation for educating this generation in valuable ethical, humanistic, and Christian principles.

From the panorama of religiousness and morality, it follows that it is not easy to determine what youth understands through religion. Although for the majority, God appears as a Unique Being who watches over the world, is concerned for man, rewarding or punishing, for a significant number of youth, faith is associated with a nebulous feeling of "Something" or "Someone" existing outside the world, with Spirit, a Higher Force, some kind of Reality that cannot be more specifically described. Approximately 20 percent of those studied were rather like deists. It is a mistake, therefore, to identify their religiousness with Catholicism, although they cite Catholicism in their statements.

Also with respect to quality, the lecturer stated that it is selective and "unfinished," with strong individualistic tendencies in the realm of morality, coexisting with moral permissiveness by which, for example, illegal sale of alcohol is more to be condemned than abortion, euthanasia, or suicide. This indicates the scarcely Christian nature of the religiousness of our youth.

The conclusion is that national weaknesses will become more serious in the future, and God will be frequently acknowledged only theoretically, since many of the young people live as if God did not exist.

The next speaker was Docent Kazimierz Sopuch, doctor habilitatus, University of Gdansk, who read the paper, "The Attitude of Gdansk University Students with Respect to Faith and Selection of Values." He did his studies from the historical and sociological point of view. He first compared the religiousness of students with religiousness of social groups from which they come. He found the largest percentage of students who believe and practice their religion (regularly or occasionally) among peasant families (students, 90 percent; farmers, 96 percent); then from families of workers (students, 81 percent; workers, 85.7 percent); from families who did intellectual work without advanced degrees (students, 77.1 percent; workers, 82.4 percent); from families of the

intelligentsia (students, 67 percent; intelligentsia, 63.7 percent); and teachers (students, 67 percent; teachers, 70.3 percent). During their course of studies, religiousness among students did not become weaker, but increased somewhat.

Such a large percentage of believers, practicing and nonpracticing, has its theoretical and practical consequences. In the sphere of theoretical faith, it resulted in optimistic attitudes. The lecturer found a correlation between religiousness and attitudes toward life and value judgments. For this reason, in his studies, he tried to determine which of the wishes functioning in Polish society were desired most by the individual.

For this purpose, he presented the subjects of his study with a list of 19 values and objects of desire which they selected and ranked. A comparison of the results of studies done from 1977 to 1985 and the end of 1988 indicates a stabilization in making value judgments. At the same time, a comparison of these results with results of studies of working youth indicates that students preferred values of the autotelic type such as friendship, taking advantage of cultural offerings, education, creative scientific and cultural activity, and having ideas and working for their implementation. Believers valued a happy marriage most.

The studies confirmed the significance of a higher index of metaphysical optimism among believers (conviction regarding the purposefulness of the existence of the world and the meaning of human life) and the significance of the difference in value judgments between believers and nonbelievers.

The comparison of the selections at the beginning and the end of the studies is a basis for concluding that attitudes toward the indicated values did not change and had been formed earlier in the family and school environment.

Docent Marek Latoszek, doctor habilitatus (AMG [Gdansk Medical Academy]), was the next speaker. In his paper, "The Role of the Parish in Educating the Family," he presented selected conclusions of studies of worker families of the Gdansk Shipyard from 1970 to 1980. This was a period during which the state, after trying to subordinate the family and then to make its influence marginal, was forced to reach a compromise with it as a social institution, leaving to it the sphere of affecting the private lives of its members. The author adopted his own concept of social environment based on examining the purposes and aspirations of specific institutions and educational groups from the aspect of competition and overcoming specific influences as well as, in other cases, cooperation and collaboration. He assumed, therefore, that the family is a subjective factor that implements its own purposes and aspirations. For this reason, it is possible to consider the influences and aspirations of other groups and institutions acting in accord or in conflict with family upbringing.

The school and the parish are among the most important institutions. During the period under discussion, they were in opposition to each other, striving to extend their influence on the family. The family, as a factor for social transmission relayed norms, transmits values and principles drawn to a greater degree from the teachings of the Church than from socialist ideology which was not generally accepted by the people.

The most characteristic result of the studies was defining in the consciousness of the parents the influences of the school and the parish. To the school were ascribed only educational functions connected with preparation for professional or working roles. For this reason, a decided majority of the parents (70-80 percent) did not express any stipulations as to the school's functioning, which was associated rather with specific teachers than with the institution that was implementing the specific ideology. In general, the subjects of the study (64-74 percent) accepted the extracurricular programs conducted under the sponsorship of scouting, the School Sport Circle, or special interest circles, justifying this by claiming that they promote "physical development"; "cultivate interests"; "provide instruction on collective living"; "develop independence"; etc. At the same time, parents (approximately 95 percent) did not want these programs to increase in number.

The influence of the parish did not depend only on catechism lessons for the children, but manifested itself also indirectly through the presence of Christian principles and traditions in the everyday life of the family. In the shipyard environment, a decided majority of the husbands declared themselves to be believers, including those practicing regularly (63-72 percent) or occasionally (14-19 percent); several percent declared themselves to be nonpracticing, and scarcely 3 percent as nonbelievers.

It must be noted that over a period of 10 years, the religiousness of parents definitely increased, indicating a reversal of a certain tendency toward a weakening of religious practices observed toward the end of the 1960's. Undoubtedly, this tendency had a lesser impact at that time than the husbands' undertaking additional work on Sundays and holy days; the election of a Polish Pope was an even more general circumstance that worked for the increase in the religiousness of the Poles.

In the families studied, religious and national traditions are observed. (It is typical that even persons who are not believers adapt to the generally accepted modes of behavior.) The high degree of religiousness of parents was covered in the results of studies of F. Adamski, K. Dyczewski, K. Darczewska and others. A decided majority of parents, approximately 94 percent, send their children to catechism classes, motivated traditionally by an element of discipline in rearing children ("they do not lie, brawl, drink, they obey their parents," etc.), but motives that were more sensible and comprehensive also appeared. In these, greater weight was placed on formation of individual character and positive attitudes, e.g., "developing the skill to tell right from wrong,"

"living life according to principles of religious respect and love of neighbor." Surprising is the extended requirement concerning the nature of a world view or outright metaphysics: "religion lessons interpret the world and life after death"; "draw one closer to God"; and "provide knowledge in the area of the truths of faith." We must also note the appearance at that time of motivations linking religious principles with the norm of patriotism: "religion makes it possible to understand history"; "contributes to the observation of Catholic customs and traditions in the Polish spirit"; etc.

The lecturer emphasized the changing requirements of the family. Those formed by the Church have a tendency toward a religiousness that is more conscious and to having religious education go beyond matters of faith into the area of moral, social, and patriotic upbringing, which returns to the Church its old functions in Polish society.

It is difficult to measure the influence of specific institutions or social groups on the educational process. The subjects of the study themselves evaluated the influence of the family (or their own) as being decisive as against the influence of other groups and institutions. According to arithmetical averages, the picture is as follows: family,

1.30 as the absolutely most important rearing factor; the school, 3.23; peers, 3.81; the Church, 4.06; extended family, 4.97; media, 5.37; youth organizations, 6.27; friends, 6.75; and neighbors, 7.33. In general, the worker family did not differ or prove to be an exception with respect to the rearing influences of those factors, treating them as a relatively monolithic educational environment. The lecturer did not consider this as negative since he believed that this was not opportunism; rather, he treated it as a certain method of "sensible adaptation," which protected the children from the conflict of contradictory principles and ideology.

He emphasized that the value of being brought up in a working environment was the placing of strong pressure on traditional moral upbringing on the basis that moral and religious norms are identical.

In conclusion, lively discussion ensued in which the importance of recognizing the state of religiousness, conditional factors, relatedness of influences, and strong and weak aspects of the faith of Poles were evaluated to make a diagnosis of the changes and the adaptation of the Church and spiritual guidance to the needs of the faithful in the immediate future.